

**TAX RELATED FINANCIAL PRODUCTS
CAN BE COSTLY**

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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FRIDAY, APRIL 15, 2005

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:02 p.m., in The Reading Room of the James J. Hill Reference Library, 80 West Fourth Street, St. Paul, Minnesota, Hon. Norm Coleman, Chairman of the Subcommittee, presiding.

Present: Senator Coleman.

Staff Present: Jay Jennings, Investigator.

OPENING STATEMENT OF CHAIRMAN COLEMAN

Senator COLEMAN. This hearing of the Permanent Subcommittee on Investigations is called to order.

Good afternoon and thank you for attending today's hearing. As Chairman of the Permanent Subcommittee on Investigations, I have investigated and conducted hearings on a wide variety of subjects related to fraud, waste and abuse, including consumer abuses in the credit counseling industry, Department of Defense contractors who owed over \$3 billion in unpaid taxes, the safety and availability of imported prescription drugs, the abuse of tax shelters to evade paying billions of dollars in Federal taxes, and the Oil-for-Food program in which Saddam Hussein diverted billions of dollars to reward his friends, bribe U.N. member states, and rebuild his military. As your Senator, my primary responsibility is to represent the interests of the people of Minnesota.

I have heard and read about Minnesotans' concerns related to the financial products that are offered by tax preparers, and particularly Refund Anticipation Loans, or RALs, as they are known. It is a pleasure to conduct this hearing in Minnesota so that I can determine whether there are abusive practices in the marketing of these products, what options exist to mitigate their high costs, and to ensure that there are appropriate checks and balances to promote fairness and integrity in the tax preparation industry.

In addition to RALs, the other bank products include refund anticipation checks, refund transfers, debit cards, loans to pay taxes that are due, and in one case, advance loans that are offered in November and December for holiday needs.

RALs are loans provided by banks, and I want to stress that. Loans provided by banks through tax preparers that are secured by

the taxpayer's anticipated refund. These loans are considered high risk and carry an extraordinarily high annual percentage rate ranging from 28 to 424 percent. RALs may be offered as a same-day advance loan or as a payment that is made to the taxpayer within 2 days of filing their tax return. RALs are the fastest and most costly method of obtaining a refund in the form of a loan, and they may be appropriate for some taxpayers who are in extreme financial distress, lack a bank account, or cannot afford to pay their tax preparation fees.

On the other hand, there were over 12 million tax-related financial products sold in 2003, of which almost 9 million were RALs. It is not clear whether the popularity of RALs is due to financial distress, taxpayer impatience, or aggressive marketing tactics.

In addition to being costly to consumers, my investigation has determined that these products are highly profitable, generating over \$200 million in revenue in 2004 for H&R Block and Jackson Hewitt, the two largest tax preparers in the country.

Let me briefly review the RAL process. Take a look at Exhibit 1,¹ which is on my right and your left. When a taxpayer is due a refund and wants a RAL, the taxpayer authorizes IRS to send their refund to the bank that is making the loan. IRS sends the taxpayer's refund to the bank. The bank deducts the tax preparation charges and the application fee, and sends that money to the tax preparer. The bank further deducts a bank account setup fee, the finance charge, and any outstanding balance due from a prior RAL. Whatever remains is provided to the taxpayer.

To promote the sale of their products, the banks also pay tax preparers like H&R Block and Jackson Hewitt refunds, incentives, and rebates.

I am concerned that these promotional activities in certain circumstances could conflict with tax preparers' ethical obligations to place their clients' interest first. This could result in selling high-cost products to clients when there are less costly alternatives available. The trust relationship that exists between a taxpayer and a tax preparer should be no less sacrosanct than the trust relationship that exists between an attorney and client, or a doctor and patient. Consider that your tax preparer probably knows more about your personal life than your best friend. We cannot allow this kind of trust relationship to be betrayed by the tax preparer or the company for a financial gain that occurs at the expense of their client. And I plan to make sure that there are adequate checks and balances to ensure that if this occurs, there will be adverse consequences.

There are less costly alternatives to a RAL, but they do not have the instant gratification that is often promised by a RAL. These alternatives include lower cost financial products and free tax preparation for lower income and elderly individuals. For example, a refund anticipation check, or RAC, is a bank product that costs less than a RAL because it is not a loan and therefore does not have a finance charge. RACs have account set-up and application fees, but can be used to defer the tax preparation fee and requires a wait of about 8 to 15 days.

¹ See Exhibit No. 1, which appears in the Appendix on page 168.

Most clients are not thoroughly familiar with the variety of options offered by tax preparers. Where a tax preparer offers to serve their clients' best interests by finding every legitimate deduction and credit and minimizing the taxes that their clients pay, I believe they should have no less of an obligation to recommend the refund method that best suits their clients' needs.

Another alternative to the high cost of a RAL is free tax preparation. In Minnesota, a taxpayer has three options: The Volunteer Income Tax Assistance, or VITA program, has 273 sites located throughout Minnesota that are staffed by volunteers who can prepare and e-file a tax return.¹ In 2004, Minnesota's VITA sites prepared and filed 41,018 tax returns. The Internal Revenue Service operates tax assistance centers in Bloomington, Duluth, Mankato, Minneapolis, Rochester, St. Cloud, and St. Paul.² IRS will complete and file a taxpayer's return at these centers. In 2004, these tax assistance centers prepared and filed 2,425 tax returns, of which 159 were EITC, Earned Income Tax Credit, returns.

This past week, IRS announced that it plans to close 105 of its 367 tax assistance centers nationwide, and I will discuss this with Commissioner Mark Everson to ensure that the IRS continues to provide assistance to Minnesota's taxpayers. I plan to meet with the commissioner next week to have this discussion.

IRS also offers free filing to anyone with access to their World Wide Web site at irs.gov.³ In 2004, 3.5 million taxpayers filed their returns by using the IRS web site. While all of these options are free, it will take 8 to 15 days to receive your refund if it is directly deposited in your bank account. Other options may take longer, but clearly this is a situation where patience pays dividends.

Today we will hear testimony from tax preparers for H&R Block and Jackson Hewitt. They will share with us their tax preparation experiences. I'm also hoping to have the presence of former clients. We're still waiting for one to appear.

We will also hear from consumer advocates based in Minnesota who will testify about free tax preparation and their outreach efforts to ensure that all Minnesotans who are eligible for the Earned Income Tax Credit file for and receive it. They will also describe the impact of RALs on low-income individuals.

And, finally, we will hear from H&R Block and Jackson Hewitt, the two largest tax preparation services in the Nation, who will testify about the products they offer, their cost, their marketing, disclosure policies and practices, and their efforts to serve their clients' best interests.

As I indicated, on Thursday of next week I'll be meeting with the IRS Commissioner, Mark Everson, to discuss what I learn here today. I look forward to today's testimony and I want to thank all of the witnesses who have come here for their cooperation with the Subcommittee in putting together today's hearing.

Let me briefly reiterate that what we're talking about here is a situation where many of those who have the greatest financial need, who have great financial stresses are faced with a situation where they know they're going to get a refund, and they want it

¹ See Exhibit No. 2, which appears in the Appendix on page 169.

² See Exhibit No. 3, which appears in the Appendix on page 170.

³ See Exhibit No. 4, which appears in the Appendix on page 171.

very quick, but there is an extraordinary cost for that. And I hope out of today's hearing at least that message goes out so people are in a position to make informed choices, and not to feel pressured or confused into making choices which in the end may not or are not in their best interest.

I would like to welcome our first panel of witnesses for today's hearing. The first panel includes Pat Eckelberry, a former H&R Block tax preparer from Wayzata, Minnesota; Nila Grant, a former Jackson Hewitt tax preparer from New Hope, Minnesota. I appreciate your attendance at today's hearing and look forward to hearing about your experiences with H&R Block and Jackson Hewitt.

Now, before we begin, pursuant to Rule 6, all witnesses testifying before this Subcommittee are required to be sworn. At this time I would ask you to please stand and raise your right hand.

Do you swear the testimony you are about to give will be the whole truth, and nothing but the truth, so help you, God.

Ms. GRANT. I do.

Mr. ECKELBERRY. I do.

Senator COLEMAN. Thank you. We have a full schedule. And while your written testimony will be presented in the record in its entirety, we ask that you limit your oral testimony to no more than 5 minutes. When 5 minutes is expired, I will ask you to conclude your testimony.

I would note in Washington we have a system of lights that make it easier to figure that out. Here we'll just have to go with verbal prompts.

Why don't we begin with Mr. Eckelberry and then we'll proceed with Ms. Grant. Mr. Eckelberry.

TESTIMONY OF PAT ECKELBERRY,¹ FORMER H&R BLOCK TAX PREPARER, WAYZATA, MINNESOTA

Mr. ECKELBERRY. Good afternoon, Senator Coleman. My name is Pat Eckelberry. I presently have my own tax preparation business and am certified as an Enrolled Agent with the Internal Revenue Service. Tax preparation is actually my second career. In my first career, I was an electrical engineer for Honeywell.

As I neared retirement with Honeywell, I began doing income tax preparation as a volunteer with a VITA affiliate, AccountAbility Minnesota, which I've continued to do. I've also worked for H&R Block, for a local firm, Tax Shop, and a CPA firm, Brunberg, Thorson and Diaby.

Following my career with Honeywell, I first worked as a seasonal employee for H&R Block from December 12, 1996, until January 22, 2001.

I found there were a number of positive aspects in working for H&R Block. For example, Block had an excellent tax education system. As an employee, I was able to take many courses offered by them covering most aspects of taxation and the specifics of preparing many different types of tax returns. I also found that many of H&R Block's tax preparers were conscientious and made a sincere effort to do the best job possible for their clients. It was evident that many tax preparers had developed a good working rela-

¹ The prepared statement of Mr. Eckelberry appears in the Appendix on page 37.

tionship with their clients who returned year after year and specifically requested those tax preparers.

Throughout my tax preparation career, I found that there's an extremely strong trust relationship between the preparer and his or her client. It is my opinion that a tax preparer has a clear ethical obligation to ensure that their clients claim every legitimate credit and deduction to which they're entitled, and that the preparer ensure that their clients pay only the tax they are legally obligated to pay, and that the preparer offers advice on the refund method that best serves their client needs. However, this preparer-client trust relationship can present opportunities for abuse. While I was at H&R Block, management pushed very hard to require tax preparers to use the client-preparer trust relationship to sell such products as RALs, RACs, Peace of Mind, and other products.

The RALs were particularly troubling to me because of their extremely high cost. We were strongly directed by Block District Management to push them, especially if the clients were going to have difficulty paying their tax preparation fee. The sales emphasis was on refund speed rather than client cost.

In presenting RALs to clients, we were directed to point out that the client would receive their refund in days rather than weeks, and that they could have preparation costs subtracted from the refund, thus having their taxes filed without having to come up with any money out of pocket.

While the paperwork disclosure of the fees and finance charges was thorough, it came after the verbal sales presentation. Their client had to sign a form indicating a willingness to obtain a RAL, and indicate that they understood it was a loan. The most negative aspect was that this product was often used by the type of client who could least afford it, who usually did not understand that they were applying for a loan, and who certainly, despite the written disclosures, did not understand the true cost of that loan. Most clients desperately needed every dollar of the refund they were entitled to, and I personally made every effort to fully disclose the true cost of the client. I would also suggest other less costly refund options such as e-filing with direct deposit, which can take as little as 8 days and costs nothing.

I was not always successful in talking my clients out of taking a RAL. For example, one of my clients, a mother with ten children, wanted the refund as soon as possible in order to take advantage of clothing sales that were taking place at that time.

Another product that I felt was a disservice to the client was called Peace of Mind. It was similar to selling a service contract with a purchase of a television or washer and dryer. Its stated purpose was to cover additional tax that the IRS would require if the IRS found an error committed by an H&R Block tax preparer or by the software program. As part of its tax preparation, Block provided coverage for interest and penalties for a Block-induced error at no additional cost. Because tax preparers typically do everything they can to prevent errors, the probability of the client needing additional insurance is extremely low.

I've provided the Subcommittee with a copy of a Block memo sent to me and to all tax preparers in our district outlining the Peace of Mind sales procedure, and stating that we were to, "PER-

SONALLY endorse this OUTSTANDING product.” We were next pitched this same message by the District Manager at a mid-season meeting for all tax preparers.

During the 4 years I was with Block, the level of intensity to push the Peace of Mind guarantee was very high and increased significantly each year.¹ Initially, clients had to sign a release indicating they had been offered a product and had declined to accept it. Subsequently, Block included the Peace of Mind guarantee in the tax return preparation package, at a cost of \$20, and only removed it if the client specifically noticed it and refused to accept it.

H&R Block encouraged its employees to sell these additional products through financial incentives to the preparer, and through our tax preparer performance evaluations. Tax preparers received 15 percent of the system administration fee that was paid to H&R Block for completing the bank-related paperwork for a RAL. In addition, the number of RALs, RACs, etc., sold was part of our performance reviews.

I’ve also provided a copy of my performance evaluation for the Subcommittee, which included a category for financial products such as RALs and RACs. As you can see from that, the evaluation reflects that sales of financial products was not one of my crowning achievements with H&R Block.

Mr. Chairman, thank you for the opportunity to testify. I’m prepared to answer any questions you may have.

Senator COLEMAN. Thank you, Mr. Eckelberry. Ms. Grant.

TESTIMONY OF NILA GRANT,² FORMER JACKSON HEWITT TAX PREPARER, NEW HOPE, MINNESOTA

Ms. GRANT. Good afternoon, Senator Coleman. My name is Nila Grant, and I am presently employed as an associate analyst for United Healthcare Group. In 2003 and 2004, I worked as a tax preparer for Jackson Hewitt at the Uptown and North Broadway offices. I found my employment with Jackson Hewitt to be a rewarding experience. They provided excellent training that fully prepared me for my tax preparation responsibilities.

I have always walked my clients through the tax preparation process using Jackson Hewitt’s tax preparation software. If my client was entitled to a refund, I explained the different options available for receiving the refund, including the time that it would be required and the associated costs of each option.

The options include a direct deposit or a check from the IRS; a Refund Anticipation Loan or a Money Now loan; a refund anticipation check, which was referred to as Assisted Direct Deposit or an Assisted Check Refund. I did not push my clients toward any of these options, and Jackson Hewitt management did not encourage me or use pushy sales tactics to encourage clients to get a RAL or any other product offered by Jackson Hewitt.

Most of my clients were low-income individuals or couples who specifically came to Jackson Hewitt to obtain a Refund Anticipation Loan. Many of my clients inquired about Refund Anticipation

¹ See Exhibit No. 6, which appears in the Appendix on page 173.

² The prepared statement of Ms. Grant appears in the Appendix on page 40.

Loans before it was even presented to them. For example, Jackson Hewitt advertised the Money Now product on its office windows and people came in to ask how it worked. We could not guarantee that they would be approved for the loan or how much the total cost would be until we put their tax information into the computer because the rates varied based on the amount of the loan.

I would always inform the client that they had the option to change their mind at the end of the process, but will be charged a fee of \$20 for my time. Some clients will ask if it was expensive, and I would inform them that the average cost for a RAL was about \$300. Many did not ask at all, but all of my clients had the option to change their minds at the end of the process before signing any forms.

I believe many people would have liked to use other options but could not because they could not pay the tax preparation fee of \$135 up front. Many simply did not have the funds to do that. Because the RAL deducts the fees from the anticipated refund, it made it easier to sell the RAL. At the end of the process, a few complained about the fee but mostly all took the loan if they qualified.

My clients also had to sign forms saying that I had informed them about the loan and providing a breakdown of the actual fees associated with the loan. They also received copies of these forms. I have no doubt that my clients understood they were taking out a loan. Frankly, they did not care that it was a loan. They wanted the money as soon as they could get it. I realize that these loans have very high costs, but if my client was receiving a \$3,500 refund, they did not mind paying \$300 in tax preparation fees, finance charges, account setup, and administration fees.

In the store where I worked, we also did not receive special recognition or other benefits for selling Jackson Hewitt's financial products. I was told about the \$5 commission for every Gold Guarantee sold, but it was not aggressively pushed on me to sell it, nor did I aggressively push it on my clients. I did offer it, but most people declined it. We did receive a bonus at the end of the tax season that was based entirely on the number of tax returns we prepared.

Upon occasion, I would recommend to clients they visit a free tax preparation site if it would not be in their best interest to use our services or tax preparation. When clients' incomes were below \$10,000, I informed them of the free tax services and gave them contact information because the fees would probably have cost them half or more of their tax refund. I believe most clients were aware they could get their taxes prepared and filed for free, but chose to get them done faster because they did not want to wait and wanted money as soon as they could get it.

In summary, there was no pressure or suggestive sales tactics. We didn't have to use them. The clients wanted money as soon as they could get it, and many came to us solely for that purpose.

Senator COLEMAN. Thank you, Ms. Grant. I see Ms. Burbach has joined us, and we're very pleased. Welcome.

Ms. BURBACH. Thank you.

Senator COLEMAN. Witnesses before this Subcommittee are required to be sworn so I would ask you if you would please stand and raise your right hand.

Do you swear the testimony you are about to give before this Subcommittee will be the whole truth, and nothing but the truth, so help you, God.

Ms. BURBACH. Yes.

Senator COLEMAN. Thank you very much, Ms. Burbach. Ms. Burbach, please proceed.

TESTIMONY OF JULIE BURBACH,¹ H&R BLOCK CLIENT, ST. PAUL, MINNESOTA

Ms. BURBACH. Mr. Chairman, Members of the Subcommittee, good afternoon. Thank you for the opportunity to share my experience with H&R Block with you today. My name is Julie Burbach and I'm a single parent raising an 8-year-old son. My gross income last year was \$17,374. I have to stretch every dollar to make sure we have enough to get by.

We live in an apartment in St. Paul. I quit my job last year with the State of Minnesota. I had worked for 17 years as a Human Services Technician at the Veterans Home. Since then, I've been working part-time and looking for another job.

When it came time to file my Federal taxes this year I chose to go to H&R Block. I wanted my taxes done by an official tax preparation company. Because I had dipped into my retirement fund last year to cover expenses, I wanted to make sure my taxes were handled correctly.

I filed my taxes in February. The whole process took 10 to 15 minutes. The tax preparer did all of the preparation work and at the end told me that I was eligible to receive a refund. My Federal refund was for \$2,454, including \$927 from the Earned Income Tax Credit. My State income and property tax refund was \$931.

I had gotten Rapid Refund in the past and asked to get one at this time, to make sure I got my Federal refund as fast as possible. She asked me if I wanted Instant Money, or part of the money today. I said yes. I thought this meant I was getting a regular loan that had an early advance. At this point, the tax preparer appeared to complete the forms on the computer and printed them out. She showed me the costs. I was charged a total of \$322.90. Of that, \$203 was for tax preparation fees, and \$119 was for bank fees.

When I mentioned the cost, the \$322 seemed high compared to last year when my total costs were \$201.95. The tax preparer told me that was because last year was a trial period.

I have since learned this is not true. While the tax preparation fees had gone up from last year to this year, the real extra cost was because I said yes to the Instant Money option. Rather than being given an advance on the loan, I was actually given two loans. This was the most expensive option. The APR for each was 129 percent, but the APR listed on the disclosure sheet required by State law said 122 percent.

I felt that the total cost was quite expensive, but at this point I was confused and didn't feel like I could change my mind because she had already finished all the paperwork. I was also thinking about all the bills I had to pay and I agreed to the \$322 fee.

¹ The prepared statement of Ms. Burbach appears in the Appendix on page 42.

The tax preparer did not explain that I was taking out two loans. She also didn't suggest that I could change my mind right then and there, and that would be less expensive if I didn't take out the loans. She didn't explain I was taking the most expensive option. She also didn't tell me that if I signed the loan agreement, I still had 2 days in which I could change my mind and not get the loans.

She briefly showed me the disclosure page before I signed at the bottom. She didn't explain what they meant, and I didn't ask any questions about it because this is why I was having my taxes done by a professional tax preparer in the first place, because I don't understand all the tax laws and financial wording and disclosures.

If I understood all of my options about how to get my full refund to me, I would not have taken out a Refund Anticipation Loan. I received my State tax refund within 3 days in the mail.

Now I understand more about Refund Anticipation Loans. All I really wanted was to get my taxes done well, and to get my refund so that I could pay my bills on time and do whatever would help me and my son the most. I understand that my refund is meant to help families like mine. That is why I don't think it's fair I should be charged so much money to get my taxes done and to get my refund quickly.

Thank you for letting me share my story.

Senator COLEMAN. Thank you very much, Ms. Burbach. And, by the way, thank you for your courage to come forward. It's hard enough when you do this as I do each and every day. But for an average citizen to come forward and to very openly say I was confused, I walked into a situation and it cost me money, a lot more than you felt it should have cost, so I appreciate your courage and your honesty.

And I do hope with your testimony today that others will listen and will think twice, and will be in a position to understand that there are questions that should be asked, and perhaps there are tax preparer's questions that should be asked of you, so I really do believe something good will come out of this. So I want to say thank you.

Mr. Eckelberry, Ms. Burbach talked about two loans. From what I understand, there's really one loan she got. She got instant cash, right, which is one fee, and then the RAL besides that. If you were her preparer, could you talk a little bit about her situation, what was she being offered and what might you have done if you wanted to explain it to her better?

Mr. ECKELBERRY. Well, the instant loan is something that's been incorporated since I've been there so I'm not familiar with that either.

But I surely would have explained to her that the opportunity to get your return very quickly existed without going through any process like that.

Senator COLEMAN. Does it shock you that the APR was about 129 percent?

Mr. ECKELBERRY. I've seen it higher than that. We've seen percentages higher than that.

Senator COLEMAN. And how high?

Mr. ECKELBERRY. The number I recall is as high as 400 percent.

Senator COLEMAN. Do clients understand what a 400 percent APR means?

Mr. ECKELBERRY. No. The situation is they don't have the money to pay for their return. They want it done. They want the refund as quickly as they can get it.

Senator COLEMAN. And, Ms. Grant, I appreciate your perspective, that you didn't feel pressured to push these, that you weren't being evaluated on the basis of how many you made. On the other hand, do you believe your clients understand what a 300 APR is or a 400 APR is?

Ms. GRANT. No, not totally. When I explained, in breaking it down for them, that they had an understanding that they were paying high interest rates because we did show that to them, and some people did comment on it.

Senator COLEMAN. Now, on the other hand, your clients came in you said looking for this. But in part, you're saying as they walked by, your advertisement promoted it.

Ms. GRANT. Right, correct.

Senator COLEMAN. And out of curiosity, and I'll ask this both of Mr. Eckelberry and Ms. Grant, were you working for your client or were you working for H&R Block or Jackson Hewitt? Who do you feel your primary responsibility was at the time you were preparing these?

Ms. GRANT. I do feel it is to the client because it is their money. And to be honest about it, if they came in, and even if they signed the paper and they changed their mind, I would have tore it up.

Senator COLEMAN. In your situation, Mr. Eckelberry—I don't have the exhibit up here—but I looked at your evaluations, you're being evaluated on the number of products that you sold.¹

Mr. ECKELBERRY. That's correct.

Senator COLEMAN. Performance evaluation.

Mr. ECKELBERRY. That is correct. It was part of our evaluation. At the meetings, it was made a big deal for the people who sold a lot of RALs or a lot of Peace of Minds, plus the financial remuneration.

Senator COLEMAN. I don't know if you have a copy of your evaluation. I have one here.

Mr. ECKELBERRY. Yes.

Senator COLEMAN. Five is exceeds expectations, and you got fives across the board in terms of quality interviews. Where you got your three, your lowest evaluation, was in terms of RALs, successfully offered refund rewards. So you weren't as vigilant in offering those, were you, as in the other categories?

Mr. ECKELBERRY. No, I was not. And to answer your earlier question to both of us on this, I really felt my responsibility was to the client. But my situation was a little different than many of the other tax preparers. The only way to make any real money working for Block as a tax preparer is to sell those products.

Senator COLEMAN. And I appreciate that. As I listen, I appreciate from both of your perspectives saying that you believe that's what your obligation was. But my sense is in looking at a system that provides rewards for selling product, that promotes product sales,

¹ See Exhibit No. 5, which appears in the Appendix on page 172.

it appears to me that at that point your interest is to your employer who is paying you a paycheck, though personally it should be to your client. But if you're working in a system that's pushing product, then I question whether in fact you can be as true as one should be to your client.

Mr. ECKELBERRY. Well, I felt I could be, but my situation was that I was retired and I wasn't dependent upon this income. But many of the other tax preparers depended on this additional income, and so they responded to the pushing by selling the stuff.

Senator COLEMAN. Again, Mr. Eckelberry, Ms. Grant, and Ms. Burbach, very admittedly, the sense I got is that you were confused. Is that a fair statement?

Ms. BURBACH. Yes.

Senator COLEMAN. Mr. Eckelberry, does that surprise you? There was a client getting the explanations and getting what she got and still being confused?

Mr. ECKELBERRY. Not at all. In fact, I don't think most of them really didn't listen to the explanations. The only thing they heard was they could get their money in a few days. They didn't have to pay up front to get the job done.

Senator COLEMAN. Ms. Grant, does that surprise you?

Ms. GRANT. I agree with that too because basically they were in a rush, and some of the sales in our office was based on how many tax preparations we did to get a bonus. So we did kind of rush through it or go through it rather quickly.

The average tax preparation took about 20 to 30 minutes if it was fairly simple. And most people just sign the papers. We did show them what they were signing, but did they read it, no.

Senator COLEMAN. When clients came in asking for the Refund Anticipation Loan, did you walk through them less costly alternatives that would serve their needs but would not cost them as much?

Ms. GRANT. When they walk in we have place mats that had each individual option that they had available to them. And a lot of people looked at it but they knew they wanted the Money Now loan.

Senator COLEMAN. Mr. Eckelberry, same question.

Mr. ECKELBERRY. I'm sorry.

Senator COLEMAN. The question was, if somebody came in looking for a RAL, would it be practice for H&R Block to explain to them there were cheaper alternatives available that would best suit their needs?

Mr. ECKELBERRY. It was definitely my practice to explain all the options. I definitely did do that. But I don't think that was necessarily standard practice. Like I said, my situation was very different than many of the other tax preparers.

Senator COLEMAN. And your situation, in particular, you had concern over Peace of Mind, which is not the focus of this hearing. But again, that was another product, another additional fee for something that you felt was unnecessary.

Mr. ECKELBERRY. That's right. And we were told to stick it in the return and only remove it if they saw it.

Senator COLEMAN. And in fact, you were evaluated, specifically, one of the pieces of your evaluation, specific section has to do with

Peace of Mind, whether you properly offered it, explained and accepted.

Mr. ECKELBERRY. Yes.

Senator COLEMAN. And then there was an option for the total number of them. So your performance was in part based on the number of products you sold.

Mr. ECKELBERRY. That's correct.

Senator COLEMAN. Rather than whether you met the needs of your client.

Mr. ECKELBERRY. That's correct.

Senator COLEMAN. One other question. In my opening statement I talked about RALs being high risk, but as I listen to the testimony, it appears to me that the risk would be very minimal, that in fact you know what the tax refund is going to be. The refund would cover the loan. The money comes back directly from the bank to you.

If one of the justifications for high APR is high risk, what is the risk to the company, to the preparer? I mean, your fee is getting paid up front with the RALs. Am I mistaken in that?

Mr. ECKELBERRY. The risk would be in that you wouldn't know if the client had some outstanding debt that might be covered by the refund that would be taken away. So if they got a check the day they were there, you wouldn't have known at that time that there was some risk involved.

Senator COLEMAN. Some risk to the bank.

Mr. ECKELBERRY. But not if they didn't get a check for 2 or 3 days because by then you should have had that information.

Senator COLEMAN. Ms. Grant.

Ms. GRANT. As far as I'm concerned, the risk, I'm unaware. Most of the loans or the APR finance charges were based on the amount of the loan. That's all I knew. So if they were high fees, it was based on the amount of the loans. That's about it.

Senator COLEMAN. Ms. Burbach, did the preparer tell you that you had 2 days to rescind your RAL?

Ms. BURBACH. No. And if you owed anything back, it would come out of your State tax return, not your Federal. You were only getting a loan on your Federal. Your State comes to you in the mail.

Mr. ECKELBERRY. That's a good point.

Senator COLEMAN. So again, there is very little risk?

Ms. BURBACH. Right.

Senator COLEMAN. Did anyone process—did your preparer tell you you didn't have to take out a RAL, that there were some other options that were less costly and would have suited your needs?

Ms. BURBACH. I guess I didn't—I was kind of at their mercy.

Senator COLEMAN. And you wanted cash, got cash up front and you wanted it done quick.

Ms. BURBACH. Yes. And I wanted it done by a professional that I thought I could trust.

Senator COLEMAN. Were you asked by the tax preparer the reason for why you needed it so quickly or what the nature of the obligation was? What the need for speed was?

Ms. BURBACH. No.

Senator COLEMAN. If any.

Ms. BURBACH. None at all.

Senator COLEMAN. Either Mr. Eckelberry or Ms. Grant, did you ever question clients about whether they really needed money so quickly?

Mr. ECKELBERRY. Absolutely, because I didn't want them to do that.

Senator COLEMAN. But again in your situation, what I understand your testimony as, I get the sense that you did not believe that was a standard practice among others working in your shop.

Mr. ECKELBERRY. No.

Senator COLEMAN. And again, your situation, because you're retired, this was a second income, you weren't being pushed to earn extra dollars by selling product.

Mr. ECKELBERRY. Right.

Senator COLEMAN. But as I understand your testimony, the testimony is that in fact within a shop, within the operation that was the standard practice and procedure.

Mr. ECKELBERRY. I would say that.

Senator COLEMAN. To the best of your knowledge.

Mr. ECKELBERRY. Yes.

Senator COLEMAN. Ms. Grant.

Ms. GRANT. Mainly—I'm sorry. I forgot. Could you just repeat the question again?

Senator COLEMAN. I'm just trying to get a sense, did you inquire of your clients if they really needed the money today. And if they didn't, was there another path for them that was less expensive?

Ms. GRANT. Well, no, I didn't inquire, but a lot of people came in and told me. Some of them were looking for a new car or looking to pay off bills from Christmas.

No, I didn't inquire a lot about why they needed it so quickly.

Senator COLEMAN. But even looking for a car, paying bills, they probably could have waited 2, 3, or 4 days.

Ms. GRANT. Yes. They had the option because it was presented right there in front of them. And a lot of people did ask what is this one, what is this option, OK. And I explained it to them.

Senator COLEMAN. When you say in front of you, it was in writing; is that correct?

Ms. GRANT. Yes.

Senator COLEMAN. Do you think it would have been helpful if you had instructions to say in words some of those things that were in writing? Because as I understand, they were in front of the desk, they were standing right there. Do you think it would have been helpful to folks like Ms. Burbach if you would have taken the time to verbally explain what otherwise was sitting there in writing on your desk?

Ms. GRANT. Yes, I do believe so.

Senator COLEMAN. Mr. Eckelberry.

Mr. ECKELBERRY. Well, of course.

Senator COLEMAN. And, Ms. Burbach, you wanted to say something. I'd love to hear it.

Ms. BURBACH. I was going to say, last year I got the loan again, and it had to clear through my bank for 7 days so I got this loan and I wasn't able to get my money for 7 days anyway. Now, if it's this big of a company, shouldn't it have like cleared right away? I don't understand why I had to wait. I paid all that money to get

my loan that day, and then it was 7 working days before I actually received the money.

Senator COLEMAN. I take it that this year you're not looking for a Refund Anticipation Loan. A lesson learned, Ms. Burbach.

I want to thank the panel. Is there anything else you wanted to add, Ms. Burbach? You came in a little late. Anything you want to say to others who are out there listening?

Ms. BURBACH. Be patient.

Senator COLEMAN. Very sage advice. I want to thank you all for your testimony today, and this panel is excused.

I would now like to welcome our second panel of witnesses. It is my pleasure to welcome Beth Haney, who is the Research and Outreach Director for Children's Defense Fund here in St. Paul.

And Bonnie Esposito, the Executive Director of AccountAbility Minnesota, also here in St. Paul.

I appreciate your attendance at today's hearing and look forward to hearing your testimony. It is especially important that we fully understand the impact of Refund Anticipation Loans on low-income and elderly Minnesotans and show how these costs can be minimized with the use of free tax services.

As you've observed, pursuant to Rule 6, all witnesses before this Subcommittee are required to be sworn so I would ask you to stand and raise your right hand.

Do you swear the testimony you are about to give before this Subcommittee will be the whole truth, and nothing but the truth, so help you, God.

Ms. HANEY. I do.

Ms. ESPOSITO. Yes.

Senator COLEMAN. Thank you very much.

Ms. Haney, we'll go with you first and follow with Ms. Esposito. After you finish with your testimony I'll have the opportunity to ask questions.

Again I would ask that you try to limit your testimony to about 5 minutes. Your full statement will be presented into the record in its entirety. When the 5 minutes are up, I'll give you a verbal signal if that's needed.

So let's begin with Ms. Haney and we'll follow up with Ms. Esposito.

TESTIMONY OF BETH HANEY, PH.D., ¹ RESEARCH AND OUT-REACH DIRECTOR, CHILDREN'S DEFENSE FUND, ST. PAUL, MINNESOTA

Ms. HANEY. Thank you, Senator Coleman. Thank you for this opportunity to testify about Refund Anticipation Loans and their impact on working Minnesota families.

I'm the Research Director for Children's Defense Fund Minnesota. Children's Defense Fund is a private, nonprofit organization with a more than 30-year history advocating for children, particularly poor and minority children and those with disabilities. Our mission is to Leave No Child Behind, and to ensure that every child has a healthy start, a head start, a fair start, a safe start,

¹The prepared statement of Ms. Haney with attachments appears in the Appendix on page 44.

and a moral start in life, as well as successful passage to adulthood with the help of caring families and communities.

RALS are of vital interest to CDF because they dilute the efficacy of the Earned Income Tax Credit. The EITC arguably is this country's most effective and efficient anti-poverty tool, and we believe a potent force for enhancing child well-being. In 2002, it lifted almost 5 million working Americans out of poverty, more than half of them children.

In Minnesota, more than 242,000 low- to moderate-income working families claimed approximately \$378 million from the EITC in 2004. This part of the tax code rewards family's work efforts and helps keep the tax system more fair for them. Families spend the majority of their EITC refunds on basic needs like utility bills, rent, food and clothing for their children. Consequently, the EITC helps stabilize them and keeps them in the work force and off welfare.

In addition, much of the money is spent immediately, boosting the local economy by benefiting grocers, retailers and other local businesses.

However, the value of the EITC to families and the broader community is eroded by RALs. During the 2003 tax filing season, an estimated \$5.1 million of Minnesota EITC refunds were diverted to pay for RALs, not meeting basic work family's needs.

Our concerns with RALs include:

First, they can be alarmingly expensive. We estimate the average cost to be about \$100, which is about 6 percent of the average Minnesota EITC refund. This causes the average APR and average refund to be 234 percent. This predatory rate is more than ten times the APR ceiling Minnesota established to protect consumers. State law limits APRs on consumer loans to 21.75 percent. However, RAL brokers circumvent State usury laws by partnering with federally-chartered banks, which are permitted to ignore State interest rate ceilings.

Second, research shows that commercial tax preparers target their services to low-income tax neighborhoods, where financial literacy is often limited. According to one study, neighborhoods with more EITC filers have about 50 percent more electronic tax filing and preparation services than neighborhoods with fewer EITC filers. Statewide, only about one in five EITC filers got a RAL in 2003, but the percentage was significantly higher in our most impoverished communities. In four of the zip codes on Minnesota's northern Indian reservations, where more than half of all returns include the EITC, more than three-fourths of EITC families got a RAL. More than half of EITC claimants got a RAL in some of the poorest Twin Cities neighborhoods.

Third, as a result of extensive protesting last tax season by the consumer advocacy group ACORN, H&R Block agreed to improve the disclosures it gives to customers about the costs and speed of refund options and to drop their administrative fee. However, we question how well the terms of this agreement are actually being implemented in local tax preparers' offices.

This tax season, advocates across the Nation have spoken with H&R Block clients, such as Julie, who say they were not provided with the improved disclosures informing them of each of their op-

tions. Many tax preparers push clients into taking out loans based on the profit they personally receive, as you so noted, not corporate policy.

ACORN is currently negotiating a similar agreement with Jackson Hewitt, but other tax preparers, including Liberty Tax, and local independent tax preparers, even retailers and car dealerships, broker RALs. Thus, even the existence of agreements with the two largest companies does not fully address the full scale of the problem.

Finally, there's evidence that many families do not comprehend they're initiating a loan when they opt for Instant Money, Money Now, or the other terms used to market RALs.

According to a December 2004 poll, 70 percent of respondents who had gotten a RAL did not realize it was actually a loan. Furthermore, because many RAL users have limited literacy skills and/or English proficiency, even if they sign written disclosure forms, they might not fully comprehend them.

It's not surprising that a public policy as effective as EITC has had strong bi-partisan support in Congress. Senator Coleman, we appreciate the backing you've shown the EITC, and we hope we can rely on you to champion it in the current Federal budget debate.

The public funds dedicated to tax credits like the EITC are meant to strengthen low- to moderate-income families and reward them for their work effort, and this has been proven to work. The public funds were not meant to provide financial windfall for the tax preparation and banking industries. Loans using the EITC should not be allowed, for the same reason Social Security benefits cannot be used as collateral for a loan. The idea is that the benefits are too important to the recipients to let lenders take them to repay their debts.

I believe it's a cruel paradox that because of their trust and relying on paid tax preparers, professionals, families believe are there to help them and they trust them, eligible working Minnesota families trying to claim their EITC and get ahead could end up in significantly worse financial jeopardy.

I thank you again for the opportunity to testify, and further information regarding our stance toward RALs can be found in my written testimony.

Senator COLEMAN. Thank you very much, Ms. Haney. Ms. Esposito.

**TESTIMONY OF BONNIE ESPOSITO,¹ EXECUTIVE DIRECTOR,
ACCOUNTABILITY MINNESOTA, ST. PAUL, MINNESOTA**

Ms. ESPOSITO. Senator Coleman, thank you for this opportunity to testify before you today on free tax assistance for low-income Minnesotans.

I'm the executive director of AccountAbility Minnesota, a non-profit organization that does pro bono accounting and tax assistance by leveraging volunteer resources. Since 1971 AccountAbility has managed a dedicated team of volunteer accountants and tax

¹The prepared statement of Ms. Esposito with an attachment appears in the Appendix on page 57.

practitioners to help thousands of low-income individuals navigate the tax reporting system so they may satisfy a tax liability, or realize benefits they're due.

The Earned Income Tax Credit, as you just heard, and the Minnesota Working Family Credit offer essential assistance to thousands of Minnesota's working poor. The sum of these credits can potentially add 50 percent to a working family's annual income.

To give you a sense of our work at AccountAbility, last year our volunteers at 40 tax sites statewide helped return \$10.9 million in tax refunds to 9,500 low-income tax taxpayers.

AccountAbility is one of many nonprofit organizations that offer free tax assistance through the IRS Voluntary Income Tax Assistance program, VITA, and Tax Counseling for the Elderly, or TCE program. This year in Minnesota, the Minnesota Department of Revenue reports there are 276 VITA and TCE sites, as you pointed out on the map in front of us.¹ And as you mentioned, according to the IRS, 41,000 Federal returns were filed by free tax sites in 2004. Yet, over 200,000 low-income families claimed EITC, which means they were eligible for the free service, thus only a small fraction of the households eligible for the service take advantage of it.

The tax code, especially the part governing the EITC, is complex. Rather than attempting to complete their taxes themselves, as you heard in earlier testimony, two-thirds of low-income Minnesotans pay to have their taxes prepared and filed. Children's Defense Fund estimates that low-income Minnesotans spend more than 7 percent, or about \$120, of the average EITC refund just to claim it. In 2003, at least \$18.5 million of the Federal EITC dollars claimed in Minnesota were spent on tax preparation and filing costs.

Why don't more low-income families take advantage of the free tax assistance? We believe there are a number of reasons. First of all, lack of capacity of the VITA program. VITA sites are usually filled to capacity with long waiting lines for service. People are frequently turned away, especially at this time of year. For example, this week at almost all the tax sessions that we operated, people were turned away.

Also, due to funding cuts to the IRS they've had to cut back services substantially to the VITA program, and they're no longer able to recruit or train volunteers, or offer technical assistance at VITA sites as they used to. IRS walk-in centers used to be able to handle the most difficult tax problems, but again, due to constraints in funding, they're unable to do so. Last year, as you reported, the IRS prepared only 139 Federal returns at their walk-in centers for EITC eligible households. We find in Minnesota they're referring many of the taxpayers they used to help to our tax sites.

A second reason we believe people don't come to the free tax sites is that they're often at inconvenient times or inconvenient locations to receive the service. Of the 276 dots on the map, only 15 to 20 percent are VITA sites. The rest are Tax Counseling For the Elderly, or TCE.

¹ See Exhibit No. 2, which appears in the Appendix on page 169.

Now, many TCE sites also help families, but that program is targeted to seniors. They're often in senior buildings, the sites are in senior centers, and they're open in the daytime, which is inconvenient for working families. Many of the TCE sites serve seniors first since they are run by the AARP, and help families only if the volunteers have time.

In contrast, to make it convenient for working families, VITA sites are open evenings and weekends. They're also often located in community-based sites where families are used to going for other types of service. However, VITA tax sites are severely under-funded and are unable to serve more than 3 percent of the eligible households.

The third reason we believe people don't come is just plain lack of advertising dollars. H&R Block, Jackson Hewitt, and other commercial tax preparers have multi-million dollar budgets to aggressively market their instant refunds. Nonprofit organizations with limited dollars rely on grass-roots marketing and networking. Commercial ads lead people to believe they must use a commercial preparer to get their refund quickly. The public isn't aware how quickly you can get your money if you file electronically and have your refund direct deposited.

AccountAbility Minnesota customers using direct deposit this tax season got their State refund in 3 days, only 1 day longer than the classic Refund Anticipation Loan. And they didn't have to pay over \$120, plus \$100 for the loan, to get their own money.

We have some suggestions for improvement. First of all, organize and sponsor a major marketing campaign with a public/private partnership among government, Minnesota's largest companies and employers, and major philanthropic partners to advertise not only the EITC, but also free tax assistance.

Second, have the partners make a commitment to have their employees volunteer, thereby setting an example to spur additional recruitment.

Third, have the businesses and philanthropic partners announce their investment in the VITA program through private grants.

Fourth, Congress needs to contribute Federal funding through such legislation as the Taxpayer Protection and Assistance Act being introduced in Congress today. We understand this bill also mandates Treasury to do a public awareness campaign on RALs. This would be a perfect partner to a Minnesota campaign promoting free tax assistance. This type of campaign would help advertise the free service to people that need it. It could help recruit volunteers that are needed to expand the service, it would stimulate private funding to help non-profits that manage VITA sites increase their capacity, and offer more service.

Senator Coleman, I ask that you consider being a champion for this campaign in Minnesota, and represent the government sector. And I invite you to volunteer at an AccountAbility Minnesota site next year.

[Applause.]

Thank you again for this opportunity to testify before you today.

According to a study done by CDF Minnesota, low-income families paid over \$23 million last year for tax preparation and Refund Anticipation Loans and fees, much of that going to out-of-state

banks. Please help us keep more of those dollars in the pockets of the working poor in Minnesota by expanding free tax assistance.

Senator COLEMAN. Thank you very much, Ms. Esposito. Ms. Haney, we talked a lot about EITC, the Earned Income Tax Credit. Would you for the record walk through a very brief explanation of what that is, and what that means?

Ms. HANEY. Sure. The Earned Income Tax Credit is a refundable type credit, which is an incredibly important part of it. Many tax credits are non-refundable, which basically mean they bring your tax liability down to zero. If they're refundable, that means if you're eligible for more than what brought your tax liability to zero, then that part is refunded to you or sent to you in a check.

Most families that claim the EITC don't actually owe any income tax to the government and that's because when they take their standard deductions and exemptions, they haven't earned more than what none of us pay tax on, the first \$15,000 to \$18,000 that we earn. They are then eligible to receive that entire amount back in a refund.

What I said before, it helps keep the tax code fair because, in part, they pay a disproportionate share of their income in other, sales tax, excise tax and payroll taxes, and so that helps refund to them part of what they're paying those other taxes as well.

Senator COLEMAN. So in the end, they get cash in their pocket.

Ms. HANEY. Exactly.

Senator COLEMAN. This is a big part of it.

Ms. HANEY. Exactly. It's an incredibly important part of it.

Senator COLEMAN. I think Mr. Eckelberry left. I wanted to personally thank him. Today is April 15, he's a tax preparer, and he was here and he spent time being here. So my humble apologies. I'll send him a copy of this in the record, but I did want to thank Mr. Eckelberry for being here.

Ms. Haney, did it surprise you that there were signs in the window promoting instant cash, as one of the witnesses testified to?

Ms. HANEY. Not at all. We've seen the signs ourselves. When I personally drive through the poor income neighborhoods, I see the billboards, I see the signs, so I'm not at all surprised.

Senator COLEMAN. I asked the question about where's the principal responsibility? Is your principal responsibility to the client or is it to your firm? And I appreciate the witnesses we had who, I think reflecting their ethical sense that it should be to the client, though my sense as I listened, they have a system set up that really is otherwise directed. You're going to be judged based on how many products you sold. Your obligation, obviously, is to the firm.

Can you talk a little bit about what kind of ethical standards there are for tax preparers today, and what kind of ethical standards there should be? For both of you, Ms. Haney first and then Ms. Esposito.

Ms. HANEY. In Minnesota 2 years ago in 2003 we passed a State law that actually was for standard of conduct for tax preparers, and it's the first of its kind, I believe, across the Nation. That created some pretty simple standards as far as we were concerned in terms of pretty basic things that should be illegal anyway but we had to put it into law.

And it was based completely on experiences that a lawyer, a colleague I work with, had with low-income clients. However, that law I don't believe addresses exactly what you're asking, which is to whom is the tax preparer working in the best interests of?

I believe that when families walk in the door they're going to see a professional, in their opinion, and they totally and completely put their trust in that person. They do not understand the tax code. The EITC tax booklet is 53 pages long and it's tax language so I hardly understand it.

I believe they go there to see a professional, and that there should be some way to ensure that professional is working in their best interest. I'm not again surprised, however, to hear that those tax preparers have a little bit of a conflict as to who exactly they should be helping, and which best self interest they should be working in.

Senator COLEMAN. Ms. Esposito, could you respond to the question about ethical standards?

Ms. ESPOSITO. Absolutely. The majority of our volunteers in fact are CPAs, accountants. Many of them, as Mr. Eckelberry, do taxes themselves. And I can say 100 percent of them are appalled by RALs, because, in fact, what it does is take advantage of people when they are most vulnerable, especially now when people can get their refunds so quickly if they use e-filing and direct deposit.

Our experience with our own customers that come to us and maybe for years they've gone to H&R Block or others, and they just are so surprised when we look at their tax papers and point out, do you know you have a loan? And they disregard it. They said oh, no, I just got my money fast. So they're really taking advantage of a vulnerable population.

And the idea that, while people need their money right away, as you said, gee, could they wait 3 or 4 days, the fact is if they are desperate for their money, say, their landlord is going to evict them, we can call the IRS and that is considered under—what's it called?

Ms. HANEY. I'm not sure.

Ms. ESPOSITO. It's like being under duress. A hardship case, that's what it's called. And they can go downtown St. Paul that afternoon or the next day and get the check. So it is possible, if they really need it, to get their money right away, even at our free clinics. So as the earlier person said, it is a matter of waiting.

Our experience as far as ethical CPAs and tax practitioners are that all volunteers that work for us feel that it is unconscionable to take advantage of people.

Senator COLEMAN. The testimony of the first panel talked about APRs up to 400 percent. I've actually read more in some other cases.

First, can you explain what an APR is? And, second, do you believe that your clients, EITC clients think they understand, and are well briefed on what APRs are?

Ms. HANEY. Well, APR, the annualized percentage rate, which essentially is the total cost of the loan expressed over the cost of a year. And really you need to, even for a short loan like a RAL, you need to think of it that way because that's how you can com-

pare apples to apples when comparing one loan product to another. So it's the standard in terms of the industry to create the APR.

I should actually clarify in terms of Ms. Burbach's situation. I've actually seen her documentation from this year and she actually did take out two loans. At least she signed two loan disclosure forms. And for one of the loans it was 129.61 percent and the other loan was expressed at APR of 129.16 percent. And then again, the State disclosure form she signed said 122 percent.

So I do not think they understand what an APR is. When I was doing this research, "Oh, that interest rate thing," and I think that's how most people would talk about APRs. And they think that percent is the entire amount applied to it.

The APR includes both any straight fee that you pay up front, plus any interest that would accrue if the loan was not repaid. But I don't think the general public understands that, and definitely I don't think the EITC families do.

Senator COLEMAN. In addition to the APR, there appeared to be fees for setting up the bank account—there appeared to be a number of different fees along the way. Are they all included in the APR, fees from the bank, fees for the preparation, are they all one fee or are there additional charges in addition to the APR?

Ms. HANEY. I think it depends on who's calculating the APR. When I calculate in my research the APR, I look at the total cost of the loan so I don't include tax preparation fees. I do include any fees to set up the loan, any administrative fees, the finance charges themselves.

I don't know if that's an industry standard, however. I have been told that sometimes the industry actually doesn't include some of those fees because they don't consider those to be part of the loan. They consider those to be something that you would need to pay to get your refund.

Senator COLEMAN. Ms. Grant noted in her testimony, the former Jackson Hewitt tax preparer, she did indicate that on her desk were written materials that described some other alternatives other than RALs. Do you think that's sufficient notice to individuals coming in to make them fully aware of what other choices are out there? Is there a better way to do it than just simply having some written things on a desk?

Ms. HANEY. I believe requiring oral disclosure is a fantastic first step. We actually tried to put that into the legislation at the State level 2 years ago but weren't able to.

But I know that a lot of the families who claim the EITC have English as a second language or literacy issues, so I really doubt if they took the time, they couldn't even read and understand exactly what they're being asked to sign.

In addition, I think it's a very intimidating atmosphere. And when you're being rushed by your tax preparer and your tax preparer is saying sign this, sign this, it's very difficult at that moment to say just a minute, I want to sit down and read and understand everything, when you know there's a line of people waiting to have their taxes done.

Senator COLEMAN. Ms. Esposito, you talked a little bit about the disclosure, what do you consider to be the best way to proceed with that.

Ms. ESPOSITO. Well, we of course deal with customers all the time in doing their taxes, and one of the reasons our tax sites are full and people are waiting is because we take the time necessary to explain. We really feel our job is not just to do the taxes but to empower the customers to understand taxes. Because eventually, they're working and they're working their way off being eligible for our program, and perhaps starting to do their own taxes 1, 2, or 3 years down the road. So our tax preparers really do take a lot of time. We don't give them a lot in writing.

Our customers last year reported 76 different languages as their primary language. And, not only with English as a second language but other literacy problems, reading can be a problem. So we do as much as we can verbally and really take the time, even though people are waiting. But with each customer, it just takes time to explain it.

Senator COLEMAN. You talked about hardship cases. Do you offer Refund Anticipation Loans or something similar to taxpayers, who were hardship cases? Tell me, how do you deal again with folks who have legitimate need for some quick dollars.

Ms. ESPOSITO. Actually it's not a loan. We call the IRS. We call the IRS advocate and they just respond fabulously. And people can actually go down and get a check the next day.

And it's right from the IRS so they're getting their own refund because they can prove it's not for something minor like well, "Gee, I want to go to Florida or something." It has to actually be a hardship. Maybe they're being evicted or something like that. But the IRS gives them their money so there's no loan involved.

Senator COLEMAN. Ms. Haney, is it your testimony that RALs should not be available for folks who use EITC, or do you believe that there are ways in which you can reduce the cost of RALs and other financial products?

Ms. HANEY. Well, Senator Coleman, I'm optimistic. I believe both.

Senator COLEMAN. Sign of a politician.

Ms. HANEY. I would rather there not be loans based on the EITC, quite honestly. As I said earlier, I believe the precedent is set in Social Security benefits, and I would like to see Federal legislation that does the same thing.

That said, I guess I am a little bit more realistic and realize that might not necessarily come to pass. And so I do believe there are alternative ways we can make them more affordable.

I also believe in the creativity of the industry, as well as the non-profits and the rest of the community, and I believe there are other ways that we can help families.

I know there are some things that could be done to speed up the process. So, for example, the IRS is working and has been working for a long time on making those refunds come more quickly. I know there are some issues in terms of their funding right now, that they're not able to do that at the rate they wanted to, but I think there are many different ways we can look at this problem and make it better.

Senator COLEMAN. I appreciate that optimism. And you'll see from the next panel where we have representatives from H&R Block and Jackson Hewitt that we are having discussions and we

are getting levels of cooperation. So I would hope that would continue so that we could better address this.

Ms. Esposito, your perspective on this? Should we simply ban RALs or are there ways we can reduce costs? When I say ban, ban in terms of not allowing Earned Income Tax Credit dollars to be factored off into the high cost of the RALs.

Ms. ESPOSITO. In a perfect world, I would want them to get 100 percent of their refund like our customers do, without taking a loan. But the fact is there is a need there and the people do want the money right away. But we very much are working with the philanthropic community and credit unions to try and come up with alternatives. And there's demonstrations around the country through the National Community Tax Coalition to offer a better product, something that doesn't take advantage of people when they're vulnerable, and gets them their money quickly.

But an important part of it needs to be that they establish an account with the bank. When they get a RAL, although they open this bank account, that's not their savings, that's not where they're going to go and bank next Tuesday or Wednesday, where if they got a product that was more reasonable, and it was their community credit union, then maybe they would leave some of that money in the savings account and start on that road to asset building and the whole idea of perhaps being able to buy a home, pay for college for their kids and so forth.

Senator COLEMAN. So rather than just using the bank as a vehicle to process a loan for purposes of getting the RAL, what I'm hearing you say is perhaps you can use this process to set up a savings account and a banking relationship?

Ms. ESPOSITO. Exactly.

Senator COLEMAN. A savings mentality and other things that could have some long-term positive benefits.

Ms. ESPOSITO. Exactly.

Senator COLEMAN. Outstanding. I'll excuse this panel. I want to thank you very much for your testimony, and I appreciate your hard work in this area. It is greatly appreciated.

Ms. HANEY. Thank you.

Ms. ESPOSITO. Thank you. One thing I didn't mention, I did bring the list of the sites.¹

Senator COLEMAN. And we will take that and make sure those are entered into the record. Thank you very much, Ms. Esposito.

We would now like to welcome our final witnesses for today's hearing, Gary Weinstein, Vice President of Legal and Government Affairs at Jackson Hewitt Tax Service; and Robert Weinberger, Vice President of Government Relations at H&R Block.

I appreciate your attendance at today's hearing and look forward to hearing your testimony, as well as your response to the testimony for the first two panels. If RAL costs can be minimized, an effort must begin with obviously your respective companies.

I do want to commend Jackson Hewitt for your efforts to make your products more consumer friendly. As I indicated to the previous panel, you've been having ongoing discussions with the Subcommittee. I do understand that there was a \$10 surcharge, and

¹ The list of sites appears in the Appendix on page 59.

I think you'll talk about that, Mr. Weinstein, a \$10 surcharge Jackson Hewitt had been using with the EITC recipients that I think will no longer be in effect, and we appreciate those efforts.

Gentlemen, as you are well aware, pursuant to Rule 6, all witnesses before this Subcommittee is required to be sworn. At this time I ask you to please stand and raise your right hand.

Do you swear the testimony you are about to give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God.

Mr. WEINSTEIN. Yes.

Mr. WEINBERGER. Yes.

Senator COLEMAN. Thank you very much. Mr. Weinstein, we will begin with you, followed by Mr. Weinberger. After we've heard all the testimony, we'll go to questions.

As I indicated before, your printed testimony will be in the record in its entirety. We'd ask again that you limit your oral testimony to about 5 minutes. And about that time, if you run over that, we'll put up a little note that lets you know that. We're somewhat flexible in time today, and I think that's OK with the time we have.

So with that, we will begin, as I said, with Mr. Weinstein. You may proceed.

TESTIMONY OF GARY P. WEINSTEIN,¹ VICE PRESIDENT, LEGAL AND GOVERNMENT AFFAIRS, JACKSON HEWITT TAX SERVICE, INC., PARSIPPANY, NEW JERSEY

Mr. WEINSTEIN. Mr. Chairman, I want to thank you for giving me the opportunity to testify on behalf of Jackson Hewitt today. We welcome and support the Chairman's interest in, and attention to, tax-related financial products. As an industry leader, Jackson Hewitt is committed to continuously improving its policies, procedures and disclosures, as well as the products and services we and third-party banks offer to best serve our customers, and allow them to make fully informed choices about our products and services.

Our interaction with the Subcommittee's professional staff prior to this afternoon's hearing, as well as this hearing, are invaluable in helping us to continue these efforts. Thus, we are pleased to have the opportunity to discuss today our products and services, including those offered by the banks, the comprehensive disclosures we provide to our customers, as well as our training of tax preparers and our proprietary software system, all of which are designed to ensure that our customers are receiving full and fairly presented description of the information they need to make well-informed choices about tax-related financial products.

As part of our ongoing commitment to continue our industry best practices, I am pleased today to announce the following actions for the 2006 tax season, noting that several of these initiatives have been developed as a result of our discussions with the Subcommittee staff under the direction of Senator Coleman.

First, Jackson Hewitt has eliminated the application fee for Refund Anticipation Loans and other bank products in Jackson Hew-

¹The prepared statement of Mr. Weinstein with attachments appears in the Appendix on page 141.

itt company-owned locations, and is encouraging our franchisees to do the same.

Second, Jackson Hewitt has sought and obtained the commitment of our banking partners to eliminate the \$10 additional finance fee for Refund Anticipation Loans for customers who receive an Earned Income Tax Credit.

Third, Jackson Hewitt has also obtained a commitment of the banks that all customers will have the right to cancel a Refund Anticipation Loan within 48 hours.

Fourth, Jackson Hewitt will be creating a comprehensive tax preparer code of ethics that further solidifies our existing policies, procedures, and expectations of tax preparer conduct.

Fifth, we will provide our customers with a customer bill of rights setting forth Jackson Hewitt's public commitment to its customers, as well as providing basic information that all customers should know.

Jackson Hewitt Tax Service is the second largest paid tax preparer in the United States. We have over 5,400 locations in 49 States and the District of Columbia, most of which are franchised. In the 2004 tax filing season, Jackson Hewitt prepared approximately 3.1 million tax returns, which accounted for less than 5 percent of the paid tax preparer industry.

In Minnesota, we have 8 franchisees with 41 locations collectively. Our franchisees are independently owned and operated small business entrepreneurs who live in, and employ people from, the local communities here in Minnesota, as well as throughout the country. For the 2004 tax filing season, these franchisees prepared approximately 13,000 tax returns for Minnesotans.

Jackson Hewitt's principal business, which accounts for over 70 percent of our revenues, is the preparation of tax returns. Jackson Hewitt electronically files most of the returns it prepares under the IRS e-file program. Through e-file, a customer can receive a refund directly to their bank account, or receive a check by mail, free of charge. This option is always the first choice presented to customers to obtain their refunds.

In addition, Jackson Hewitt also facilitates the provision of certain financial products offered by two federally regulated banks, HSBC Bank USA and Santa Barbara Bank and Trust. In Minnesota, Jackson Hewitt franchises facilitate products offered by Santa Barbara.

Refund Anticipation Loans offered by those banks have been the subject of a great deal of discussion today. Banks, not Jackson Hewitt, make the lending decisions for a RAL, set the finance charge, and make the loan.

RALs, as loans, provided by banks are subject to numerous Federal laws including the Truth in Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, and Fair Debt Collection Practices Act, to ensure that every customer understands the terms and conditions of the loans and is treated in a fair, non-discriminatory manner.

The banks are subject to regulation by the Office of the Comptroller of the Currency, which subjects the bank's Refund Anticipation Loan business to examination scrutiny.

In addition, States such as Minnesota impose further requirements on disclosures for RALs. Finally, the IRS e-filing process involves registration, and background checks of electronic return originators. This is done to provide additional safeguards to taxpayers who utilize authorized e-filers.

Jackson Hewitt not only complies with all these disclosure requirements, but has implemented its own disclosures over and above the Federal and State requirements. Thus, in addition to the federally required disclosures of costs and terms that are a part of every RAL bank application and the Minnesota State required disclosure, Jackson Hewitt provides a series of disclosures that make clear that bank products are not mandatory, that a Refund Anticipation Loan is in fact a loan, and not a refund, and explain the cost of the bank products and their alternatives.

These disclosures include a large type one-page disclosure form, acknowledged and signed by the customer, which clearly and simply explains the nature of a Refund Anticipation Loan, sets forth the APR for the loans sought, and warns that this APR may be high when compared to other sources of credit.

We have large wall posters in our locations which show refund and loan options, as well as the costs and APR associated with six example loan amounts.

We have desk maps on every tax preparer's desk, facing the customer, setting forth each product and service available at Jackson Hewitt, including the ability to transfer the tax return in connection with IRS e-filing at no additional cost.

And we have prompts embedded in our proprietary decision tree computer software which requires our trained tax preparers to present timely information to customers about the range of available options.

Further, we are continuously training our tax preparers, franchisees, office managers, and other employees to make sure a clear explanation of each product is provided so that a customer always makes the best decision for his or her own situation.

In furtherance of our ongoing goal of best practices, we applaud the Chairman's efforts that we understand are underway to establish a code of ethics guided by IRS Publication 1345 for the tax preparation and tax-related financial products industry.

Jackson Hewitt will promulgate its own code of ethics guided by IRS Publication 1345 regardless of whether this becomes an industry-wide obligation.

Senator Coleman, I have some continuing remarks, but in the interest of time, if the Subcommittee would like, I can conclude or——

Senator COLEMAN. Why don't you conclude, because I have the written remarks, and I will enter them in the record. So if you can conclude your oral testimony in the interest of Mr. Weinberger and following questions.

Mr. WEINSTEIN. Thank you, Mr. Chairman. I would, in conclusion, I would like to highlight once more the steps that Jackson Hewitt is prepared to take:

First, we are eliminating the application fee for Refund Anticipation Loans and other banks products at our company-owned locations. We're encouraging our franchisees to do the same.

We have sought and obtained the agreement of our banking partners to eliminate the \$10 additional finance fee for Refund Anticipation Loans for customers who receive EITC. We've obtained commitment of the banks to allow 48-hour right of rescissions.

We will be creating a comprehensive tax preparer code of ethics, and we will be establishing a bill of rights.

Mr. Chairman, thank you for the opportunity to testify.

Senator COLEMAN. Thank you very much, Mr. Weinstein. Mr. Weinberger.

**TESTIMONY OF ROBERT A. WEINBERGER,¹ VICE PRESIDENT,
GOVERNMENT RELATIONS, H&R BLOCK, KANSAS CITY, KAN-
SAS**

Mr. WEINBERGER. Thank you, Mr. Chairman, for the opportunity to appear.

Today H&R Block is closing out its 50th tax season as the Nation's largest tax return preparer. Over the last few weeks, 167,000 Block associates at 11,000 offices across America have helped prepare returns for almost 20 million Americans.

Here in Minnesota, 1,400 dedicated Block employees will help nearly a quarter million residents navigate the complexities of the tax code, claim their refunds, and importantly for us at H&R Block, get advice they need to improve the financial lives of their families. Still other Minnesotans are using H&R Block's free online filing program in the Free File Alliance with the IRS.

We're proud of that 50-year history. We continue to evolve and improve to meet the needs of our clients. From a background in simply "doing people's taxes," we're evolving into a "tax and financial partner" to our clients, providing not only tax services and advice, but also new financial products, like low-cost retirement savings, transaction accounts, and home mortgages.

Our focus is that client partnership. We succeed only when we earn the trust that keeps clients coming back year after year, as over 70 percent do.

The title of this hearing is "Tax-Related Financial Products Can Be Costly." It could just as easily have been "Tax-Related Financial Products Can Be Beneficial."

Of course there are costs for our products and services. Indeed, one reason we were founded was to offer middle American consumers lower cost alternatives to CPAs and attorneys in helping to prepare complex tax returns.

If we didn't charge fair prices for our services, we wouldn't stay in business. But while there are costs, tax-related financial products also have benefits. And consumers who use them find the benefits outweigh the costs and represent good value.

Let me briefly highlight four products.

First, Refund Anticipation Loans. Refund Anticipation Loans cost money, sometimes more than other kinds of credit. In our offices they cost between \$29.95 and \$109.95 for bank loans that range from \$200 to \$10,000. But they also provide added speed, convenience and security.

¹The prepared statement of Mr. Weinberger with an attachment appears in the Appendix on page 161.

Many consumers are financially stressed, especially at tax time, facing overdue holiday and heating bills, threats from creditors and medical or other emergencies. They often can't afford to wait the 2 to 8 weeks it takes the IRS to deliver a refund. Half of our RAL consumers don't have a checking account, so can't take advantage of the speed of IRS direct deposit.

RALs are not right for all taxpayers and, indeed, eight out of ten Block clients don't use them. But those who need the product see it as a solution, not a problem, and it can represent a life-line for those in need.

To ensure informed choice, all options are presented, including free IRS delivery options presented first, in disclosures developed with the help of the former head of the Bureau of Consumer Protection of the Federal Trade Commission and after consultation with consumer groups.

A second product is Peace of Mind, an extension of our Standard Guarantee, which costs \$27. What many of our customers see are: The benefits of professional representation in case of an IRS audit; the security of knowing that if we made an error, we will pay up to \$5,000 in taxes owed as a result; and, quite literally, additional "peace of mind," in contrast to anxiety as many taxpayers see the tax collector as not entirely benign.

A third product is our express IRA. While it costs \$15 to set up, this savings account has enabled thousands of taxpayers to save for retirement, many for the first time. Given an average refund of \$2,100, tax time can be a teachable moment to help Americans save and take advantage of the incentives Congress has enacted to better their lives, including the little-known Retirement Savers Credit which partially matches IRA contributions. We are proud to have helped secure that credit for nearly a quarter of all those in America who claimed it in the last 2 years.

Finally let me mention one product, the H&R Block Advantage, that doesn't cost our clients an extra dime. The Block Advantage statement contains actionable financial and tax advice tailored to each client's unique situation. We use it to connect people to government benefits for which they may be eligible but not receive, including food stamps, children's health insurance, and prescription drug discounts.

We know from food stamp officials that calls to their hotline "skyrocketed" by over 300 percent when we first began our efforts.

Mr. Chairman, our focus as a company is "client first." Providing sound advice, not pushing products that are not in the best interest of our clients. That is a clear message from management and embedded in our culture. We are a value-driven and not a sales-driven company.

Inevitably, we will not always get it right. But our shortcomings are those at execution, not intent.

Mobilizing a field force of 167,000 people for a 3-month tax Olympiad is challenging, and not all of our 20 million clients will be happy with the services they receive. But our aspiration, and we hope our achievement, is to earn the respect of our clients, and to continually improve our training and compliance, our policies and procedures, to make our product offerings transparent and fair, and

to ensure that our clients can make an informed choice about all of them.

Our success comes from repeat business. Our interest, therefore, is in meeting our client's needs, adding value to their lives, and earning their trust, not selling products they don't need. If we do that, they won't come back, and we won't succeed.

Mr. Chairman, thank you again for the opportunity to appear. We look forward to answering your specific questions, and commenting on the previous panelists.

Senator COLEMAN. Thank you very much, Mr. Weinberger. Gentlemen, let me say a positive, as I said earlier, I want to particularly thank Jackson Hewitt for the cooperation we've received. It's certainly taking strong steps in the right direction.

Mr. Weinberger, I will note, speaking with my staff, that your written disclosures are exceptional, and you outlined that in your testimony. I still think there is some room to bring verbal disclosure up to that same level, and I would hope that the end result of this hearing there would be some focus of discussion on that and how that can be achieved. But clearly as we've looked at the written disclosures, they certainly are well done.

A couple questions, though. One, you mentioned, if I may, talking about RALs are not right for all taxpayers, and eight of ten don't use them. What percentage of folks who are eligible for the EITC, how many filers of EITC use RALs?

Mr. WEINBERGER. I don't know, Mr. Chairman. But I do know any client who comes into an H&R Block office that's eligible for the EITC will get it. And except for the existence of commercial tax return preparers, millions of Americans wouldn't get the EITC, let alone the full value of the EITC to which they're entitled. H&R Block alone does 24 percent of all EITCs in America.

Senator COLEMAN. Would you supply for the Subcommittee, see if you can get an answer to that question, what percentage of folks who file EITC also take out RALs? It would be very helpful.

Mr. WEINBERGER. I will.¹

Senator COLEMAN. Mr. Weinstein, I notice in your testimony that you did approximately 13,000 returns of Minnesotans and facilitated approximately 4,000 RALs. Do you know what percentage of those folks who are eligible for EITC also filed RALs?

Mr. WEINSTEIN. I do not have that information now, Mr. Chairman, but I would be happy to get back to the Subcommittee.

Senator COLEMAN. That would be helpful. Also, Mr. Weinstein, just so I understand the relationship between the banks and the tax preparers, the RALs, they're bank loans. They're not Jackson Hewitt or H&R Block.

But do you have a relationship, questions for both gentlemen, one, do you get any refunds or do you have any financial relationship with banks whereby you benefit to the number two question, the number of RALs done?

And second, do you have any interest in RALs themselves, almost acting as a bank itself? Do you have any control or ownership over RALs? Mr. Weinstein and Mr. Weinberger.

¹ See Exhibit No. 12, which appears in the Appendix on page 192.

Mr. WEINSTEIN. Mr. Chairman, may I take the questions in reverse order?

Senator COLEMAN. Please.

Mr. WEINSTEIN. The second question relating to incentives, incentives to sell RALs. In our company-owned stores we do not have any incentives for tax preparers to sell RALs. In fact, we're not even aware of any of our franchisees who have similar incentives.

I would ask that the Subcommittee keep in mind the application fee that is charged, regardless of whether the customer receives a RAL or an ACR or an ADD, remains the same. There is truly no financial incentive to direct a customer to one product or the other.

And finally, the decision is, and has to be, the customers based on their own individual financial needs.

Senator COLEMAN. But my question went to whether you have any relationship with the banks, not incentives from preparer to client; in other words, if the preparer is going to get more money.

But do you have a relationship with the banks? Obviously you're directing a lot of business to them, substantial business. Is there a financial relationship with the banks whereby there's a benefit for the company for the volume of RALs produced?

Mr. WEINSTEIN. Mr. Coleman, this is perhaps getting to your first question. We do have a relationship with two banks, as I explained in my written testimony and my oral testimony, Santa Barbara Bank and Trust and HSBC.

We earn a flat fee from the bank on RALs. We have a sharing provision that relates to the delinquency and loss arrangement, but this provision will likely not come into play because in the 2005 tax season we do not have a delinquency and loss amount that would trigger the implementation of this provision.

We understand the concerns that have been raised here, and we certainly will consider those.

Senator COLEMAN. Mr. Weinberger, do you have a relationship with the banks by which you get some financial return based on the amount and volume of RALs?

Mr. WEINBERGER. Yes. We have a 10-year contract that was entered into in 1996 with Beneficial Bank, now succeeded by HSBC Bank Corporation, in which we purchased an interest in the refund loans that they make for H&R Block clients.

Senator COLEMAN. Do you know what H&R Block earned last year from rebates, refunds, and incentives for selling RALs?

Mr. WEINBERGER. Well, I know what we received in participation fees, which is in our annual report.

My recollection, which I hope would be subject to correction, would be about \$160 million in revenue.

Senator COLEMAN. I think my notes indicate about \$168 million in revenue.

The other question, you talked about Peace of Mind. And we noted, Mr. Eckelberry, that in part of his evaluation, the Peace of Mind product was one of those things he was evaluated on. And you've indicated that there is some value to that.

My question, though, is in the value if someone is audited, if there's a mistake or something, it's on your shoulders and not on the taxpayer's. What percentage of Earned Income Tax Credit clients were audited last year?

Mr. WEINBERGER. About three or four times the number of middle class taxpayers. So it is a group that is subject to elevated scrutiny and examination by the IRS.

Senator COLEMAN. Do you know the percentage of filers, the number of folks subject to audits of your customers?

Mr. WEINBERGER. I can get it for you.¹

Senator COLEMAN. Could you give me a ballpark figure? Is it under 5 percent?

Mr. WEINBERGER. Well, it's under 5 percent. But the average for middle class taxpayers would be considerably lower.

Senator COLEMAN. Is it under 3 percent?

Mr. WEINBERGER. I don't have the exact percentage.

Senator COLEMAN. Obviously, my concern is that if 97 percent to 98 percent of folks don't have a risk here, that if in fact you're selling a product, pushing a product, and evaluating performance on the basis of that product, then in the end, 90-something percent, and I am quite confident it's over 95, and could go I think higher than that, that raises the kind of questions that were raised by the prior panel, that you have folks who are low-income, obviously stressed, as you indicated. The IRS could be a big bogeyman in terms of fear of an audit. But if you walked in and said you had a 99 percent chance you're not going to be audited, you want to buy this product, it's a different response than giving Peace of Mind and it's going to cost you for this.

Mr. WEINBERGER. Well, the IRS has a well-publicized enforcement campaign, and especially so with respect to the EITC where Congress has actually appropriated funds for EITC enforcement as a separate line item. And the Congress has put a considerable amount of pressure on the IRS because of the large amount of non-compliance in the EITC program.

There is a rational reason for people being concerned about audit, but there's also an emotional element which relates to perceptions. And I think that's a reality in America.

Senator COLEMAN. Again for the record, if you could provide us with a percentage of the EITC clients audited last year, that would be—

Mr. WEINBERGER. We would not necessarily know which of our clients is audited.

Senator COLEMAN. What percentage of those who bought Peace of Mind were audited, I would like that information. Those who purchased that policy, what percent of EITC actually used that policy. I think that would be useful information to have.

Mr. WEINBERGER. OK.¹

Senator COLEMAN. So I understand the relationship between the companies and the franchises. Mr. Weinberger, you talked about eliminating the application fee—excuse me. Mr. Weinstein, you eliminated application fees and which you encourage franchisees to do that. What does that mean? What kind of encouragement do you offer, what kind of control do you have over the actions of the franchise operations when it comes to fees they charge or don't charge?

And, Mr. Weinberger, I'd ask the same question.

¹ See Exhibit No. 12, which appears in the Appendix on page 192.

Mr. WEINSTEIN. Thank you, Mr. Chairman. Jackson Hewitt is a franchise model, which means that franchisees make up the backbone of our tax preparation business. Each franchisee is an independently owned and operated small businessman and woman, and thus is able to competitively price their products.

We have company-owned stores in addition to our franchise stores. Out of the 5,400 stores we have, the vast majority of them are franchise-owned.

Senator COLEMAN. If I may interrupt. In Minnesota, what percentage are franchise operations and what percentage are company-owned?

Mr. WEINSTEIN. One hundred percent franchise-owned.

Senator COLEMAN. So Minnesota franchise operations, talk to me about, if you eliminate application fees, how does that impact operations in Minnesota?

Mr. WEINSTEIN. Well, in fact, we have at the company-owned store level decided to begin to reduce and eliminate application fees this tax season, and we plan to completely eliminate application fees next tax season in our company-owned stores.

Our franchisees, who may very well follow us in this approach, and as I stated in my opening statement, we will encourage them to follow us in that approach, will begin to reduce or eliminate the application fee in Minnesota for tax season 2006. And I believe that various franchisees across the country have already begun this process.

Senator COLEMAN. I'm just trying to understand the nature of your ability to encourage your franchises. Do you have any control, do you have any saying, do you have anything within the relationship between you and the franchise operation that would provide that application fees are eliminated, or in fact is it simply up to the franchise operation to do what they wish to do, understanding that the company may encourage a certain course of action?

Mr. WEINSTEIN. As a franchiser, we cannot force the franchisee to take any particular action. But given the competitive landscape, the legislative landscape, and the regulatory landscape, we fully expect that our franchisees will follow us in our strong efforts to eliminate this application fee.

Senator COLEMAN. Mr. Weinberger.

Mr. WEINBERGER. H&R Block has already eliminated what it called a "system administration fee" in its company-owned offices throughout America.

In Minnesota, we have 112 company-owned offices and 93 franchised offices. There is no fee in the company-owned offices or in two-thirds of the franchise offices. In the remaining third, there is a \$13 fee, which will be eliminated entirely next year.

Senator COLEMAN. When you say eliminated, do you have the ability to have them eliminate it or is this simply voluntary action on the part of a franchisee in standing with the company's strongly recommending certain policy?

Mr. WEINBERGER. I don't know the answer to that, but I've been assured the small number of remaining ones will be eliminated.

Senator COLEMAN. I want to just go back to the testimony of Ms. Burbach. And I think it fairly typical, an average individual, financially strapped, came in, somewhat confused. I presume she had in

front of her perhaps even verbal language—not verbal, written disclosures, etc.

One, as you kind of look at that individual, does it surprise you that she was confused? Do you think that her situation was unusual for someone in that position?

Mr. WEINBERGER. Well, first let me say I feel bad about the circumstances that she described, and she was clearly stressed. And both I and the company regret that.

We have a dilemma here because the tax code is quite explicit about not allowing us to discuss a person's tax return without their specific written consent for each use or disclosure. If she provides that consent, I would be happy to share, privately, with her permission and the opportunity to review it, the circumstances as best we can establish them.

Senator COLEMAN. Would it be your testimony, though, that you are fairly confident that your tax preparers do explain that folks have the opportunity to cancel RALs within a couple days if they so desire?

Mr. WEINBERGER. Yes. And I can speak to that, Mr. Chairman. We have considerably revamped over the last few years our training and compliance activities in this area.

The tax return preparer who testified earlier, Mr. Eckelberry, last worked for H&R Block for a full year in the year 2000, 5 years ago. During the intervening time, a considerable amount of change has occurred.

Tax clients who have a refund are fully—all of their options are explained to them. They receive a “Facts About RALs” document, which, by the way, does indicate that we may purchase an interest in the refund loan, which is disclosed, and which also specifically says that you can cancel your RAL transaction for up to 48 hours without being obligated for a finance charge connected with it. And I have blow-ups of those if it would be easier to illustrate.

Senator COLEMAN. Can we have that entered into the record?¹

Mr. WEINBERGER. We have worked with the former head of the Federal Trade Commission Bureau of Consumer Protection, and developed what we think are really best practices, and that is several layers of disclosure.

First, in the welcoming brochure, the refund or settlement options are fully described, again with the IRS free options described first.

Second, at the tax desk there is the “Facts About RALs” document, which on the reverse side has a chart showing the price of RALs and the annual percentage interest rate for various amounts, the time line of refund times from the IRS versus the time for bank products, and a run-through of a typical transaction so a client can see what is deducted and what the bottom line would be.

Third, embedded in the computer program is a side-by-side comparison of all options, which takes the general information and makes it specific to the individual taxpayer, what their refund is and what any of the items will cost.

Fourth, there's an extensive written application which contains various cautions in it, and further disclosures required under the

¹ See attachment to Mr. Weinberger's statement which appears in the Appendix on page 167.

Trade in Lending Act which are included in the signed loan agreement.

And finally, then at the end of the process, is a Block Advantage Report. The first item included for people who use RALs is an indication of—and I will read it to the Subcommittee:

“Plan to keep more of your refund next year: A Refund Anticipation Loan is fast and easy, but it’s also expensive because the lending bank charges you for this service. In addition, other institutions may charge you to cash your RAL check. Next year, why not file electronically and ask for your refund by direct deposit or IRS check? That way you can avoid RAL fees and still get your money in approximately 8 to 15 days by direct deposit, or 3 weeks via check. If you don’t have a bank account, many banks, savings institutions and credit unions have low-cost solutions available. You’ll gain better control of your finances, avoid check-cashing fees, and keep more of your refund in your own pocket.”

So we’ve tried, I think, responsibly and ethically, to offer full disclosures of all options, and we believe this should enable a potential consumer of RALs to be fully informed before he or she makes a choice.

Senator COLEMAN. And my concern, and I appreciate this, as I started this panel, with making progress, both certainly, even as we’ve approached this hearing and have historically looked back on what H&R Block has done, I continue to be troubled by a number of things here.

One, that in effect, Mr. Weinberger, you are the lending bank. And you’ve got an interest in these loans. And I’m trying to think of some other client, patient-client situation where you have a financial interest in your client buying a product that has a very expensive product, may be more expensive than some other options that are out there, and you financially benefiting from that. I’m trying to understand.

And we’ll talk to the IRS about this situation where you have this kind of sacred trust, but in effect you are the lending bank today by your interest in the RALs themselves. And I find that concerning. I’m not sure where we go with it.

But as I kind of listen to this, the disclosure to there, one of the critical things is you’ve got a direct stake and a financial interest in folks buying a product that has an extraordinarily high interest rate, a cost in relationship to the benefit the person gets.

And I’m searching for some other analogies in law, in medicine, in accounting where that exists and how you deal with what appears to me to be a conflict.

Mr. WEINBERGER. Well, several points in response. First, that we may purchase a loan is disclosed to the consumer.

Second, we’re not the lending bank, although we purchase an interest in the loans.

Third, if the company—and I’m not sure if it’s fair, but if the company has an interest in the product succeeding, that doesn’t necessarily apply to the individual tax return preparer who does not receive any financial incentive whatsoever for offering a RAL or a RAC. And so at the street level where the contact is with the taxpayer, there is no financial incentive to offer the product.

And in fact, given Mr. Eckelberry's earlier testimony, I would like permission to enter into the record our performance evaluation discussion sheet, which is currently in use, which I think again illustrates that we are a values-driven rather than a sales-driven culture at H&R Block. And we make it very clear that our return preparer's first obligation is to do right by the taxpayer. And I think that's very strongly the emphasis of the company.

Senator COLEMAN. Mr. Weinstein, do you want to add to that response?

Mr. WEINSTEIN. I think that it's very important for Jackson Hewitt to have satisfied customers. And to the extent that we have taken great pains to make sure that our tax preparers are trained adequately (and I think we heard some testimony today from Ms. Grant which may support that), and to the extent that we can provide clear disclosure that is understood by the customer, that is a good thing for Jackson Hewitt. We want to retain these customers, we want them to return to our stores.

Senator COLEMAN. Gentlemen, first, we will make sure that document is entered into the record.

I do want to thank you for your testimony. And this Subcommittee will certainly continue to work with you on these issues. So thank you very much.

With that, this hearing is adjourned.

[Whereupon, at 2:52 p.m., the Subcommittee was adjourned.]

A P P E N D I X

**Statement Of
PAT ECKELBERRY
before the
U. S. Senate Permanent Subcommittee on Investigations
St. Paul, Minnesota Field Hearing
Hearing On
*Tax Related Financial Products Can Be Costly***

April 15, 2005

Good afternoon Senator Coleman. My name is Pat Eckelberry. I presently have my own tax preparation business and am an Enrolled Agent with the Internal Revenue Service. Tax preparation is actually my second career. In my first career, I was an electrical engineer for Honeywell. As I neared retirement with Honeywell, I began doing income tax preparation as a volunteer with a VITA affiliate – AccountAbility Minnesota – which I have continued to do. I have also worked for H&R Block, a local firm – Tax Shop and a CPA firm, Brunberg, Thorson & Diaby. Following my career with Honeywell, I first worked as a seasonal employee for H & R Block from December 12, 1996 until January 22, 2001

I found there were a number of positive aspects in working for H & R Block. For example, Block had an excellent tax education system. As an employee, I was able to take many courses offered by them covering most aspects of taxation and the specifics of preparing many different types of tax returns. I also found that many of H&R Block's tax preparers were conscientious and made a sincere effort to do the best job possible for their clients. It was evident that many preparers had developed a good working relationship with their clients, who returned year after year and specifically requested those preparers.

Throughout my tax preparation career, I have found that there is an extremely strong trust relationship between the preparer and his or her client. It is my opinion that a tax preparer has a clear ethical obligation to ensure that their clients claim every legitimate credit and deduction to which they are entitled, that the preparer ensure that their clients pay only the tax they are legally obligated to pay, and that the preparer offers advice on the refund method that best serves their client's needs. However, this preparer – client trust relationship can present opportunities for abuse. While I was at H&R Block, management pushed very hard to require preparers to use the client - preparer trust relationship to sell such products as Refund Anticipation Loans (RALs), Refund Anticipation Checks (RACs), and Peace of Mind (POM) guarantees.

The RALs were particularly troubling to me because of their extremely high cost. We were strongly directed by Block District Management to push them, especially if clients were going to have difficulty paying their tax preparation fee. The sales emphasis was on refund speed rather than client cost. In presenting RALs to clients, we were directed to point out that the client would receive their refund in days, rather than weeks, and that they could have the preparation costs subtracted from their refund, thus having their taxes filed without having to come up with any money out of pocket.

1.

While the paperwork disclosure of the fees and finance charges was thorough, it came after the verbal sales presentation. The client had to sign a form indicating their willingness to obtain a RAL, and indicate that they understood it was a loan. The most negative aspect was that this product was often used by the type of client who least could afford it, who usually did not understand that they were applying for a loan, and who certainly, despite the written disclosures, did not understand the true cost of that loan. Most clients desperately needed every dollar of the refund they were entitled to and I personally made every effort to fully disclose the true cost to the client. I would also suggest other less costly refund options such as e-filing with direct deposit, which can take as little as 8 days and costs nothing.

I was not always successful in talking my clients out of taking a RAL. For example, one of my clients – a mother with ten children – wanted the refund as soon as possible in order to take advantage of clothing sales that were taking place at that time.

Another product that I felt was a disservice to the client was called Peace of Mind. It was similar to selling a service contract with the purchase of a television or washer and dryer. Its stated purpose was to cover additional tax that the IRS would require if the IRS found an error committed by an H&R Block tax preparer or by the software program. As part of its tax preparation, Block provided coverage for interest and penalties for a Block-induced error at no additional cost. Because preparers typically do everything they can to prevent errors, the probability of the client needing additional insurance is extremely low.

I have provided the Subcommittee with a copy of a Block memo sent to me and to all tax preparers outlining the Peace of Mind sales procedure and stating that we were to “PERSONALLY endorse this OUTSTANDING product”. We were next pitched this same message by the District Manager at a mid-season meeting for all tax preparers. During the four years I was with Block, the level of intensity to push the Peace of Mind guarantee was very high and increased significantly each year. Initially, clients had to sign a release indicating they had been offered the product and had declined to accept it. Subsequently, Block included the Peace of Mind guarantee in the tax return preparation package – at a cost of about \$20 – and only removed it if the client specifically noticed it and refused to accept it.

H&R Block also encouraged its employees to sell its financial products through financial incentives and its tax preparer performance evaluations. Tax preparers received 15 percent of the system administration fee that was paid to H&R Block for completing the bank-related paperwork for a RAL. In addition, the number of RALs, RACs etc. sold was a part of our performance reviews. I have also provided a copy of my performance evaluation to the Subcommittee, which included a category for financial products such as RALs and RACs. As you can see, the evaluation reflects that my sales of financial products was not one of my crowning achievements with H&R Block.

In contrast to H&R Block’s practices, my next employer, a local firm called Tax Shop, offered RALs and RACs, but only because of the competitive pressures of those products being offered by other tax preparation firms. The client base was very similar to the client base at Block. If a client wanted to utilize a RAL or a RAC, we had it available to avoid losing that client. The products were not pushed, and there was no financial incentive to the tax preparer for selling them. A limited number of the firm’s

clients did request financial products, and one of the other preparers who was familiar with the paperwork process usually worked with those clients. I subsequently worked for a CPA firm that did not offer its clients any financial products.

For the last two years I have concentrated on my private practice. Because I believe they are a disservice to the client, I do not offer RALs, RACs or other financial products, even though they are available to me through the professional tax software I purchase.

Mr. Chairman, thank you for this opportunity to testify. I am prepared to answer any questions you may have.

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Statement Of
NILA GRANT
before the
U. S. Senate Permanent Subcommittee on Investigations
St. Paul, Minnesota Field Hearing
Hearing On
Tax Related Financial Products Can Be Costly

April 15, 2005

Good afternoon Senator Coleman, my name is Nila Grant. I am presently employed as an associate analyst for United Healthcare Group. In 2003 and 2004, I worked as a tax preparer for Jackson Hewitt at the Uptown and North Broadway offices. I found my employment with Jackson Hewitt to be a rewarding experience. They provided excellent training that fully prepared me for my tax preparation responsibilities.

I always walked my clients through the tax preparation process using Jackson Hewitt's tax preparation software. If my client was entitled to a refund, I explained the different options available for receiving the refund including the time that would be required and the associated costs of each option. The options included a direct deposit or check from the IRS, a refund anticipation loan or a Money Now loan, and a refund anticipation check which was referred to as Assisted Direct Deposit or an Assisted Check Refund. I did not push my clients towards any of these options and Jackson Hewitt management did not encourage or use pushy sales tactics to encourage clients to get a RAL or any other product offered by Jackson Hewitt.

Most of my clients were low income individuals or couples who specifically came to Jackson Hewitt to obtain a refund anticipation loan. Many of my clients inquired about a refund anticipation loan before it was even presented to them. For example, Jackson-Hewitt advertised the Money Now product on its office windows and people came in to ask how it worked. We could not guarantee that they would be approved for the loan or how much the total cost would be until we input their tax information into the computer because the rates varied based on the amount of the loan.

I would always inform the client that they had the option to change their mind at the end of the process, but they would be charged a fee of \$20 for my time. Some clients would ask if it was expensive, and I would inform them that the average cost for a RAL was about \$300. Many did not ask at all, but all of my clients had the option to change their minds at the end of the process before signing any forms.

I believe many people would have liked to use the other options, but could not because they could not pay the tax preparation fee of \$135.00 up front. Many simply did not have the funds to do that. Because the RAL deducts the fees from the anticipated refund, it made it easier to sell the RAL. At the end of the process, a few complained about the fees but mostly all took the loan if they qualified.

My clients also had to sign forms stating that I had informed them about the loan and providing a break down of the actual fees associated with the loan. They also received copies of these forms. I have no doubt that my clients understood they were taking out a loan. Frankly, they did not care that it was a loan. They wanted money as soon as they could get it. I realize that these loans have very high costs but if my client was receiving a \$3,500 refund they did not mind paying about \$300.00 in tax preparation fees, finance charges, account set up and administration fees.

In the store where I worked, we also did not receive special recognition or other benefits for selling Jackson Hewitt's financial products. I was told about the \$5 commission for every Gold Guarantee sold, but it was not aggressively pushed on me to sell it, nor did I aggressively push it on my clients. I did offer it, but most people declined it. We did receive a bonus at the end of tax season that was based entirely on the total number of tax returns we prepared.

Upon occasion, I would recommend to clients that they visit a free tax preparation site if it would not be in their best interest to use our services for their tax preparation. When clients' income was below \$10,000, I informed them of the free tax services and gave them contact information because the fees would probably have cost them half or more of their tax refund. I believe most clients are aware that they can get their taxes prepared and filed for free but chose to get them done faster because they did not want to wait and wanted money as soon as they could get it.

In summary, there was no pressure or suggestive sales tactics. We didn't have to use them. The clients wanted money as soon as they could get it and many came to us solely for that purpose.

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Testimony of Julie Burbach on Refund Anticipation Loans

Submitted to

Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

April 15, 2005

Julie Burbach
Saint Paul, Minnesota

Mr. Chairman and Members of the Subcommittee:

Good afternoon, Senator Coleman. Thank you for the opportunity to share my experience with H&R Block with you today. My name is Julie Burbach and I am a single parent raising my 8-year old son. My gross income last year was \$17,374. I have to stretch every dollar to make sure we have enough to get by. We live in an apartment in Saint Paul, Minnesota. Last May I quit my job with the State of Minnesota. I had worked for over 17 years as a Human Services Technician at the Veterans Home. Ever since then, I've been working part-time at a restaurant and looking for another job.

When it came time to file my federal and state taxes this year, I chose to go to H&R Block because I wanted my taxes done by an official tax preparation company. Because I had dipped into my retirement funds last year to cover expenses, I wanted to make sure that my taxes were handled correctly.

I filed my taxes in February. The whole process only took about 10 to 15 minutes. The tax preparer did all of the preparation work and then at the end told me that I was eligible to receive a refund. My federal refund was for \$2,454, including \$927 from the Earned Income Tax Credit. My state income and property tax refunds totaled \$931.

I had gotten a Rapid Refund in the past and asked to get one this time, to make sure that I got my federal refund as fast as possible. She asked if I wanted to get "Instant Money," or part of my money today and I said yes. I thought this meant I was getting a regular loan, but with an early advance. At that point, the tax preparer appeared to complete the forms on the computer and printed them out. She then showed me the costs. I was charged a total of \$322.90. Of that, \$203 was for Tax Preparation Fees and \$119.90 was for Bank Fees.

When I mentioned that the total cost, the \$322, seemed high compared to last year when my total costs were only \$201.95, the tax preparer told me that was because last year "was a trial period."

I have since learned that this was not true. While the tax preparation fees had gone up from last year to this, the real extra cost was because I said yes to the "Instant Money" option. Rather than being given an advance on one loan, I was actually given two loans. This was the most expensive option. The APR for each was 129%, but the APR listed on the disclosure sheet required by state law said 122%.

I felt that the total cost was quite expensive, but at this point, I was confused and didn't feel like I could change my mind because she had already finished all the paperwork. I was also thinking about all the bills I had to pay and so I agreed to the \$322 fee. The tax preparer did not explain that I was taking out two loans. She also didn't suggest that I could change my mind right then and that it would be less expensive if I didn't take out the loans. She didn't explain I was taking the most expensive option. She also didn't tell me that even if I signed the loan agreement, I still had two days during which I could change my mind and not get the loans.

She briefly showed me the disclosure pages before I signed my signature at the bottom. She didn't explain what they meant, and I didn't ask any questions about it because this is why I was having my taxes done by a professional tax preparer in the first place, because I do not understand all of the tax laws and financial wording and disclosures.

If I understood all of my options about how to get my full refund to me, I would not have taken out a Refund Anticipation Loan. I received my State income tax refund within 3 days in the mail. Now I understand more about Refund Anticipation Loans. All I really wanted was to get my taxes done well, and get my refund so that I could pay my bills on time and do whatever would help my son and me the most. I understand that my refund is meant to help families like mine. That's why I don't think it's fair that I should be charged so much money just to get my taxes done and to get my refund quickly.

Thank you again for letting me share my story.

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**Testimony of Children's Defense Fund Minnesota
Regarding Refund Anticipation Loans**

Submitted to
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

April 15, 2005

Beth Haney, Ph.D.
Director of Research

Children's Defense Fund Minnesota
200 University Avenue West, Suite 210
Saint Paul, Minnesota 55103

Senator Coleman and Committee members, thank you for this opportunity to testify about Refund Anticipation Loans (RALs) and their impact on working Minnesota families. I am Beth Haney, Research Director for Children's Defense Fund Minnesota (CDF-MN). CDF is a private, non-profit organization with a more than thirty-year history of advocating for children, particularly poor and minority children and those with disabilities. Our mission is to Leave No Child Behind® and to ensure that every child has a Healthy Start, a Head Start, a Fair Start, a Safe Start, and a Moral Start in life as well as successful passage to adulthood with the help of caring families and communities.

RALs are of vital interest to CDF because they dilute the efficacy of the Earned Income Tax Credit (EITC). The EITC is this country's most effective and efficient anti-poverty tool and is a potent force for enhancing child well-being. In 2002, it lifted almost 5 million working Americans out of poverty; more than half were children. More than 242,000 low- to moderate-income working Minnesotan households claimed approximately \$378 million in federal funds through the EITC in 2004. This part of the tax code rewards family's work effort and helps off-set the disproportionate share of taxes they pay. Families spend the majority of their EITC refunds on basic needs like utility bills, rent, and food and clothing for their children. Consequently, the EITC helps stabilize them, and enables them to remain in the workforce and off welfare. In addition, much of the money is spent immediately, boosting the local economy by benefiting grocers, retailers and other local businesses.

However, the value of the EITC to families and communities is eroded when paid tax preparers partner with federally-chartered banks and aggressively market predatory bank products to those most financially vulnerable. During the 2003 tax filing season, an estimated \$5.1 million of Minnesota EITC funds were diverted to pay for Refund Anticipation Loans (RALs), rather than on meeting working families' basic needs.

Our concerns with RALs include:

1. RALs can be alarmingly expensive to the consumer. The costs usually include loan fees and “bank account set-up” charges.¹ We estimate that the average total loan cost is about \$100, or about six percent of the average Minnesota EITC refund, causing the APR for a RAL on the average refund to be 234 percent. This predatory rate is more than ten times the APR ceiling Minnesota established to protect consumers; state law limits APRs on consumer loans to 21.75 percent. However, RAL brokers circumvent state usury laws by partnering with federally-chartered banks, which are permitted to ignore state interest rate ceilings.

2. Research shows that commercial tax preparers target their services to low-income neighborhoods, where financial literacy is often limited. According to one study, neighborhoods across the nation with more EITC filers have about 50 percent more electronic tax filing and preparation services than neighborhoods with fewer EITC filers.² Statewide about one in five EITC filers got a RAL in 2003, but the percentage was significantly higher in the most impoverished communities. In four of the zip codes of Minnesota’s northern Indian reservations, in which more than half of all returns include the EITC, more than three-fourths of EITC families got a RAL. Clearly, the economic impact of RALS is higher in these poverty-stricken areas of the state, as even greater sums of money are diverted from families and communities.

3. As a result of extensive protesting last tax season by the consumer advocacy group, the Association of Community Organizations for Reform Now (ACORN), H&R Block agreed to improve the disclosures it gives to customers about the costs and speed of refund options and to drop their administrative fee for RALs. However, we question how well the terms of the agreements are actually implemented in local tax preparers’ offices. This tax season, advocates have spoken with H&R Block clients who say they were not provided the improved disclosures informing them of each of their refund options. Many preparers push clients into taking out loans based on the profit they personally receive, not corporate policy. ACORN is currently negotiating a similar agreement with Jackson Hewitt, but other preparers, including Liberty Tax, and local, independent preparers, broker also many RALs. Thus, even the existence of agreements with the two largest national companies does not address how clients of these other preparers are sold RALs.

4. Finally, there is evidence that many families do not comprehend they are initiating a loan when they opt for “Instant Money,” “Money Now,” or the other terms used to market RALs. According to a December 2004 poll, 70 percent of respondents who had gotten a RAL did not realize it was actually a loan.³ Furthermore, because many RAL users have limited literacy skills and/or English proficiency, even if they sign written disclosure forms, they may not fully comprehend them.

It is not surprising that a public policy as effective as the EITC has had strong bi-partisan support in Congress. We have appreciated your backing Senator Coleman, and hope we can rely on you to champion the EITC during the current federal budget debate. The public funds dedicated to tax credits like the EITC are meant to reward low- to moderate-income taxpayers’ work effort and help strengthen their families, and this has been proven to work. The public funds were not meant to provide a financial windfall for the tax preparation and banking industries. Loans using the EITC should not be allowed for the same reasons Social Security benefits cannot be used as security on a loan. The idea is that these benefits are too important to their recipients to let lenders take them to repay debts. It is a cruel paradox that because of their trust and reliance on paid tax preparers,

“professionals” families believe are there to help, eligible working Minnesota families trying to claim their EITC and get ahead could end up in significantly worse financial jeopardy.

Thank you again for the opportunity to testify. Further information regarding my organization’s stance toward RALs can be found in the attachments: (1) our most recent report on RALs, *Keeping What They’ve Earned: Working Minnesotans and Tax Credit* (http://www.cdf-mn.org/PDF/2005_RAL_report.pdf), and (2) a policy platform on which CDF collaborated, *A National RAL Platform: Issues and Options* (http://www.ncle.org/initiatives/refund_anticipation/content/RALplatform.pdf).

ⁱ We include the bank account set-up fee in the APR calculation to more accurately reflect the cost of this credit to taxpayers. RAL lenders usually subtract out this fee from the APR calculation, and thus their APRs are lower. We believe this tactic artificially lowers the APR price tag for RALs.

ⁱⁱ Berube, A., Kim, A., Forman, B., and M. Burns (2002). *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*. Center on Urban and Metropolitan Policy at the Brookings Institution and the Progressive Policy Institute.

ⁱⁱⁱ Wu, C.C. and J. A. Fox. (2005). *Picking Taxpayers’ Pockets, Draining Tax Relief Dollars: Refund Anticipation Loans Still Slicing Into Low-Income Americans’ Hard-Earned Tax Refunds*. National Consumer Law Center and Consumer Federation of America.



Children's Defense Fund

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"I was a victim because I didn't understand what I was doing," Patty Jackson said. "At first I was embarrassed but I'm not ashamed anymore. I've learned my lesson, and I've been telling everybody I know not to make the same mistake that I did." — Jackson is a mother of three from Duluth and she paid for a refund anticipation loan.



KEEPING WHAT THEY'VE EARNED: WORKING MINNESOTANS AND TAX CREDITS Updated as of February 2005

As the height of tax-filing season approaches, Americans are being inundated with advertisements from commercial tax preparers promoting alluring options for getting their taxes prepared. Many of these commercial tax preparers concentrate in low-income neighborhoods and lure their clients with the promise of "Fast Money," "Money Now," or "Rapid Refunds." A vast number of these consumers, who because of their low incomes are eligible for tax credits such as the Earned Income Tax Credit (EITC), end up paying high preparation fees and taking out high interest loans against their expected return. More than 67 percent of people nationwide who claim the EITC use commercial tax preparers to prepare their returns. Unfortunately, many low- to moderate- income working Americans are often unaware of all their choices — including free tax preparation such as Volunteer Income Tax Assistance, or VITA, sites.

This story is consistent across the country. In Minnesota, more than 242,000 low- to moderate-income working families in Minnesota claimed approximately \$378 million in federal funds through the EITC during 2004, but tens of millions of these public funds never reached these families and their children. Instead, commercial tax preparers profited from families' need for tax filing assistance, due to the complex tax laws required to claim their credits. An additional sum was diverted to out-of-state banks charging extremely high fees and interest rates in the form of Refund Anticipation Loans (RALs), often so that the families could access their refunds only one week earlier. The average APR for these loans in Minnesota is an estimated 234 percent. During the 2003 tax season (the most recent year for which data is available), an estimated \$23.6 million from the EITC was siphoned away from the intended Minnesota families. All told, about \$1.57 billion is sacrificed nationwide to commercial tax preparation and RALs.¹

The EITC has garnered bi-partisan support as the nation's most powerful anti-poverty tool, but its value to families and communities is being raided by commercial tax preparers and nationally chartered banks. In 2002, the EITC lifted almost 5 million working Americans out of poverty; more than half of them were children. Today, about 1 in 10 Minnesotan households benefit from its support. Families working at low wages deserve to receive the money intended for them by the tax code — to reward their work effort and help off-set the disproportionate share of taxes they pay. To remedy this misuse of public funds, Children's Defense Fund Minnesota (CDF-MN) advocates for increased free tax preparation assistance — that is

both accessible and well-publicized — for these families. In addition, CDF-MN calls for heightened consumer education and disclosure outlining what taxpayers should expect from paid preparers and refund anticipation loans, as well as increased federal oversight and regulation of the tax preparers and national banks promoting RALs.

An Earned Income Tax Credit for Working Families

The EITC is a federal tax credit for individuals who work but earn low wages. It is only available to those who work, and thus it rewards them for their efforts. The credit also helps offset the disproportionate percentage of their total income that low-income families spend on payroll, sales and excise taxes.

The value of the EITC largely depends on the number of children in one's family and the amount of income earned through work. During the 2005 tax season, the EITC is worth up to \$4,300 for workers who earned up to \$34,458 in 2004 (\$35,458 if married filing jointly) and have two or more qualifying children, and up to \$2,604 for workers who earned up to \$30,338 in 2004 (\$31,338 if married filing jointly) and have one qualifying child. Working adults between the ages of 25 and 64 with no children who earn less than \$11,490 (\$12,490 if married filing jointly) are also eligible for a smaller credit worth up to \$390.



The EITC is first used in conjunction with other standard deductions, exemptions, and tax credits to decrease the amount of money a family owes in income taxes, if any. The remaining amount is then returned to the family. More than 94 percent of those who claim the EITC in Minnesota receive a refund. In 2004, the average amount claimed was \$1,559.

This refund has a tremendous impact not only on families' financial circumstances, but also their overall well-being. Research indicates that families spend the majority of their EITC refunds on basic needs like utility bills, rent, and food and clothing for their children. Consequently, the EITC helps stabilize families by shoring up their needs, thereby helping them to remain in the workforce and off of welfare. In addition, much of the money is spent immediately, boosting the local economy by benefiting grocers, retailers and other local businesses. While local economies vary due to the interaction of numerous different sectors, one study in San Antonio, Texas, found that EITC dollars spent in the local community generated an economic impact 60 percent greater than those initial expenditures.² Assuming Minnesota benefits from a similar multiplier, the Earned Income Tax Credits claimed in 2004 generated an additional economic impact of nearly \$605 million statewide.

The Use of Paid Preparers and Refund Anticipation Loans (RALs)

To claim the EITC and other tax credits for which they are eligible, taxpayers need to complete and file their federal and state income taxes — a task that can be very complex and daunting for those with no experience doing so themselves. The laws and procedures that govern this area of the tax code in particular are very complicated, and often change from one year to the next. In addition, many low-income families face language and literacy barriers. Therefore, it is not surprising that a high percentage of low-income Minnesotans — approximately two-thirds — hire a professional to prepare their taxes. The average cost of having their taxes prepared and electronically filed is about \$120 — a large amount for families who may be living paycheck to paycheck. More than 162,000 Minnesotan households (or two-thirds) who claimed the EITC in 2004 made \$20,000. On average, a Minnesota EITC family who uses a paid preparer sacrifices more than seven percent of their credit just to claim it.

Collectively, the dollars lost are fairly substantial as well. It is estimated that in 2003, at least \$18.5 million of the federal EITC funds claimed in Minnesota were spent on tax preparation and filing costs, rather than on meeting working families' basic needs.

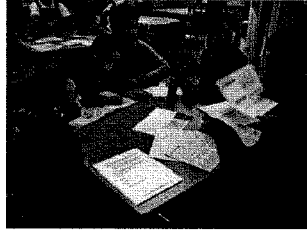
Moreover, an estimated additional \$5.1 million of the EITC funds in Minnesota were diverted to pay for Refund Anticipation Loans. RALs are extremely short-term loans that use the family's anticipated tax refund as collateral. Most EITC claimants need their refund as soon as possible, and many do not have the \$120 necessary to have their

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taxes prepared. Knowing this, many paid tax preparers partner with out-of-state banks and aggressively market RALs to those most financially vulnerable.

RALs can be alarmingly expensive to the consumer. The costs usually include loan preparation and processing fees, which are added to a finance charge. In the end, the average total loan cost is about \$100. This translates into a shockingly high APR, or the loan's cost calculated at a yearly rate. If a family paid \$100 for the average EITC refund of \$1,559, the average APR on the loan was 234 percent. This predatory rate is more than ten times the APR ceiling Minnesota established to protect consumers, considering that Minnesota law limits APRs on consumer loans to 21.75 percent. However, RAL brokers circumvent state usury laws by partnering with nationally chartered banks that are only subject to federal regulation, of which there is little. Heightened federal regulation is needed to halt these companies' maneuvering around state law.



For families who claim the EITC, the added cost of a RAL represents an additional six percent of their average refund, and it is a price they end up paying to access their money often by only a week earlier. RALs enable families to access their refunds (minus the tax preparation fees, loan fees and finance charges) within 48 hours. However, it only takes the IRS 10

days on average to process an electronically filed return and then electronically deposit the refund into a bank account. Many families are unaware of how short this turnaround time is for the IRS.

Furthermore, because they are loans, RALs can actually send a struggling family into greater financial crisis. Usually, a RAL is paid off once the IRS processes a family's tax return and transfers the funds. However, if the IRS denies part of the refund for any reason or even withholds it temporarily for audit purposes (which the IRS is doing increasingly with EITC returns), the loan continues to accrue interest. Given their immediate financial needs, it is unlikely that EITC families budget for this possibility. Although one commercial preparer, H&R Block, has stopped charging its \$32 administrative fee this year on the RALs it brokers, this does nothing to address the inherent risk posed by the loans.

There is also evidence that many families, especially those with limited English proficiency, do not comprehend they are initiating a loan when they opt for a "rapid refund," as RALs are often marketed. In December 2004, the National Consumer Law Center commissioned a public opinion polling firm to conduct a telephone poll of over 2,000 consumers about their experiences with RALs. The survey found that 70% of RAL borrowers didn't realize that a RAL is actually a loan, with younger consumers being the most unaware.³ Ironically, families could end up in debt as a result of claiming tax credits that reward their work effort and are intended to strengthen their families. Despite these families' sincere efforts to get ahead, commercial lenders are profiting from their limited financial understanding, and putting families at risk of financial jeopardy.

Refund Anticipation Loans in Minnesota

According to the IRS, more than 51,000 Minnesota families who claimed the EITC in 2003 also applied for a RAL. (This is the most recent year for which RAL data is available). This represents about 1 out of every 5 Minnesota EITC families, or 21 percent. (By comparison, only 4.5 percent of all Minnesotan households received a RAL that year.) Over 4,600 more Minnesotan families applied for RALs in 2003 than in 2002, a 9.6 percent increase.

As can be seen in Table 1, the percentage of EITC claimants seeking RALs is significantly higher in certain zip codes, notably those blanketing more impoverished communities in the state. More than 75 percent of EITC claimants on some of the northern Minnesota Indian Reservations and as many as 50 percent of EITC claimants in some Minneapolis zip codes took out a RAL in 2003. And in 40 zip codes in Minnesota, more than one-third of EITC families applied for a RAL when claiming their refunds.

Research documents that commercial tax preparers target low-income neighborhoods, *i.e.*, those home to individuals with limited financial literacy, for their services. Neighborhoods across the nation with high percentages of EITC filers have about 50 percent more electronic tax filing and preparation services than neighborhoods with low

percentages of EITC filers.⁴ Clearly, the economic impact of RALS is higher in these poverty-stricken areas of the state, as even greater sums of money are diverted from families and communities.

Table 1: Minnesota Zip Codes with Highest Percentage of EITC Filers Seeking Refund Anticipation Loans, 2003 (Tax Year 2002)

Zip Code	City	County	% of All Returns with EITC	Average EITC	Total Sum of EITCs claimed	% of EITC Returns with RALs	Sum Lost to RALs and Paid Preparation by EITC Claimants*
56671	Red Lake	Beltrami	75	\$2,040	\$1,323,745	79	\$119,334
56670	Redby	Beltrami	76	\$2,046	\$796,018	78	\$71,345
56666	Ponemah	Beltrami	84	\$2,064	\$451,972	77	\$39,712
56566	Naytahwaush	Mahnomen	61	\$2,006	\$242,741	75	\$22,055
56591	White Earth	Becker	73	\$1,902	\$171,171	61	\$13,417
56626	Bena	Cass	51	\$1,921	\$107,558	61	\$9,878
56633	Cass Lake	Cass	52	\$1,848	\$1,448,719	60	\$126,977
55415	Minneapolis	Hennepin	28	\$1,731	\$119,468	55	\$9,678
55440	Minneapolis	Hennepin	32	\$1,524	\$114,286	55	\$9,858
55458	Minneapolis	Hennepin	42	\$1,731	\$351,348	54	\$27,435
56575	Ponsford	Becker	46	\$1,940	\$186,208	52	\$13,278
56641	Federal Dam	Cass	46	\$1,845	\$83,029	49	\$6,999
55411	Minneapolis	Hennepin	53	\$1,907	\$7,096,796	49	\$501,149
55165	Saint Paul	Ramsey	54	\$1,734	\$116,172	48	\$8,598
56557	Mahnomen	Mahnomen	31	\$1,773	\$466,390	45	\$36,734
55404	Minneapolis	Hennepin	37	\$1,583	\$4,371,341	45	\$327,158
56569	Ogema	Becker	36	\$1,887	\$230,242	44	\$16,677
55412	Minneapolis	Hennepin	37	\$1,763	\$4,056,787	43	\$291,270
55175	St. Paul	Ramsey	50	\$1,872	\$129,159	42	\$8,059
55454	Minneapolis	Hennepin	49	\$1,854	\$1,930,375	42	\$117,018
56619	Bemidji	Beltrami	31	\$1,851	\$236,889	39	\$16,038
55429	Minneapolis	Hennepin	27	\$1,662	\$3,165,483	38	\$230,683
56201	Willmar	Kandiyohi	29	\$1,608	\$2,932,302	38	\$229,385
55334	Gaylord	Sibley	25	\$1,780	\$391,552	38	\$30,736
55312	Brownton	McLeod	16	\$1,569	\$108,251	38	\$9,679
56589	Waubun	Becker	33	\$1,770	\$300,911	37	\$21,517
55407	Minneapolis	Hennepin	31	\$1,664	\$4,599,631	37	\$319,828
55408	Minneapolis	Hennepin	24	\$1,510	\$3,384,368	37	\$255,478
STATE AS A WHOLE			10	\$1,537	\$368,176,143	21	\$23,663,988

SOURCE: Internal Revenue Service, Tax Year 2002. NOTE: In some cases, the above zip codes correspond to P.O. Boxes located within the city and identified on filer's returns.
* Figure calculated by using average RAL cost of \$99.95 and average paid preparation cost of \$120.

Potential Solutions

To Prevent the Erosion of Public Funds from Minnesota's EITC Families

1. **Simplify the rules and process for income tax filing.** Working families should be able to complete their own taxes, without having to pay for professional assistance. Federal and state laws, especially those that govern working families' income taxes, need to be simplified, and federal and state tax credit programs need to be coordinated.
2. **Ensure that free tax assistance for EITC families is widely available, accessible, and well-publicized.** Free tax assistance for low-income families is available at Volunteer Income Tax Assistance (VITA) sites in many Minnesota communities, but many families are not aware of them, and the reach of these efforts is limited. In fact, these sites serve less than five percent of the EITC-eligible taxpayers. The community groups and non-profit organizations like AccountAbility Minnesota that operate many of these sites need help. Different levels of government, employers, foundations, churches, and other community groups can all provide financial assistance, launch additional locations, donate computers for electronic filing, help recruit volunteers, and conduct outreach with potential EITC families.
3. **Strengthen consumer protection and education.** There is extremely little regulation of tax preparers — they are not even required to have completed high school. Yet, they are entrusted with sensitive personal information and expected to stay abreast of many complex tax laws. Taxpayers need additional education to fully understand what they can expect of their tax preparer as well as the true nature and hidden costs of RALs until they are abolished, so they can make informed decisions. The federal and state governments could do more to regulate and monitor the practices of paid preparers as well as the national banks with which they partner to offer RALs. In 2003, Minnesota passed a Taxpayer Protection Bill that created some standards of conduct for tax preparers and tightened disclosure laws for RALs. On the federal level, the Taxpayer Abuse Prevention Act (TAPA) is being re-introduced in Congress on February 8, 2005, by Sen. Daniel Akaka (D-Hawaii). The act would prohibit the use of RALs against the Earned Income Tax Credit, similar to the existing ban on loans that use Social Security checks as collateral. Citizens and organizations can express their support for the bill by contacting their members of Congress.
4. **Connect more low-income families with financial institutions and increase their financial literacy.** Having a tax refund electronically deposited directly into a bank account speeds up the turnaround time significantly, but many low-income families are not connected to mainstream financial institutions. Free tax assistance sites have attempted to partner with financial institutions, but these efforts are limited. Existing research suggests that efforts to promote financial literacy can be enhanced when people have an event — such as a significant tax refund — where they can start new practices. Some nonprofit organizations offer financial literacy courses; however, too rarely are they connected to receiving a real monetary asset, like a tax refund. Making such program connections will help more people make decisions in the best interests of their families.

¹ Wu, C.C., and Fox, J.A., *Picking Taxpayers' Pockets, Draining Tax Relief Dollars: Refund Anticipation Loans Still Slicing Into Low-Income Americans' Hard-Earned Tax Refunds*. National Consumer Law Center and Consumer Federation of America, 2005, Available at: http://www.consumerlaw.org/initiatives/refund_anticipation/comicof/2005RALreport.pdf.

² Texas Perspectives, Inc. *Increased Participation in the Earned Income Tax Credit in San Antonio*, 2004 Update, Prepared for City of San Antonio, TX.

³ Wu and Fox. *Op. Cit.*

⁴ Berube, A., Forman, B., & Burns, M. *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*. The Brookings Institution Center on Urban and Metropolitan Policy and The Progressive Policy Institute, 2002.

The mission of the Children's Defense Fund is to Leave No Child Behind® and to ensure every child a Healthy Start, a Head Start, a Fair Start, a Safe Start, and a Moral Start in life and successful passage to adulthood with the help of caring families and communities. CDF provides a strong, effective voice for all the children of America who cannot vote, lobby, or speak for themselves. We pay particular attention to the needs of poor and minority children and those with disabilities. CDF educates the nation about the needs of children and encourages preventive investment before they get sick or into trouble, drop out of school, or suffer family breakdown. CDF began in 1973 and is a private, nonprofit organization supported by foundations, corporation grants and individual donations and does not accept government funds. In 1985, CDF established the St. Paul office to direct its efforts in Minnesota.

A National RAL Platform: Issues and Options*

I. Background on Refund Anticipation Loans (RALs)

RALs are high cost short-term loans secured by taxpayers' expected tax refunds. Instead of waiting for their refund to arrive, RAL customers borrow against part or all of it to obtain the money within one or two days. Consumers pay three fees to get a RAL:

- a fee for commercial tax preparation, typically around \$120;
- a fee to the commercial preparer to process the RAL, sometimes called a "system administration", "application", or "document preparation" fee, with the average fee being about \$30;
- a loan fee to the lender, ranging from about \$30 to over \$100 in 2004.

The total amount of the three fees can range from \$180 to over \$250, and eat away at about 10% of the consumer's refund. A RAL is essentially a loan of 8-15 days, since that's how long it takes the IRS to issue a refund if the taxpayer chooses e-filing and direct deposit. Thus, the RAL loan fee translates into effective annualized interest rates of about 70% to over 700%, or 94% to 1837% if administrative fees are included.

The loan is not made by the tax preparer, but by a separate lender, usually a bank. Commercial preparers facilitate the loans, acting as loan agents. The RAL industry is dominated by the two major commercial preparation chains -H&R Block and Jackson Hewitt -- and by three banks -- Household/HSBC, Santa Barbara Bank & Trust, and Bank One.

RAL volume has increased steadily over the past few years. In 2000, an estimated 10.8 million consumers received RALs, paying approximately \$810 million in loan fees. In 2001, the number of consumers receiving RALs rose to about 12.1 million, with \$907 million spent in loan fees. By the 2002 filing season, the RAL volume rose again, to 12.7 million RALs, with \$1.14 billion spent in loan fees.

EITC earners make up a majority of those taxpayers requesting a RAL. In 2002, EITC recipients made up 55 percent of RAL borrowers, even though they made up only 15 percent of taxpayers generally. The drain on the EITC caused by RALs is substantial. In 2002, EITC recipients spent an estimated \$525 million in loan fees on RALs. Tax preparation fees and "system administration"/electronic filing fees add another \$1.06 billion to the drain. Further, many EITC recipients lack a bank account to cash their checks. Thus, they rely heavily on check cashing outlets, which charge high fees. Adding check cashing fees, the total drain on EITC earners is \$1.75 billion.

II. Options for Federal Legislation

Congress has the ultimate authority to ban or regulate RALs. Options to regulate RALs range along a spectrum and include:

* This document was developed by a workgroup including the following members: Jordan Ash, ACORN; Amy Brown, Consultant, Annie E. Casey Foundation; Deborah Cutler-Ortiz, Children's Defense Fund; Jean Ann Fox, Consumer Federation of America; Sarah Ludwig, NEDAP; David Marzahl, Center for Economic Progress; Chi Chi Wu, National Consumer Law Center. The goal of this document is to promote, facilitate and coordinate efforts to address RALs in communities nationwide. Please note that this list does not include all conceivable options, and we do not necessarily endorse all options equally.

1. **Ban RALs.** Congress could make it illegal to make loans secured by an anticipated refund.
2. **Ban RALs that are secured by EITC refunds.** Congress could ban RALs secured by the EITC by prohibiting attachment, set-off, or other seizure of EITC benefits. Such a measure would not be unprecedented - there is a similar law protecting Social Security and SSI benefits.
3. **Cap RAL fees.** Congress could establish a legislative interest rate cap for RALs. Historically, the states, not the federal government, have regulated interest rates. Because of the deregulation of credit by federal preemption, however, the states are not able to regulate the interest rates charged by federally-chartered banks such as the major RAL lenders
4. **Establish a licensing scheme for tax preparers and/or facilitators.** RALs could be regulated as part of an overall scheme to regulate tax preparers.
5. **Prohibit or regulate abusive features of RALs.** There are a number of other aspects of RALs, besides their cost, that can be considered abusive, including:
 - a. debt collection by set-off of a tax refund.
 - b. mandatory arbitration clauses.
 Congress could ban or regulate these abusive practices.
6. **Modify IRS administrative goals re: reaching the 80% e-file rate.** One of the main reasons IRS takes a hands-off approach toward RALs, and in fact aids them through the debt indicator (see IV.2 below) is because RALs help increase the number of e-filed returns. The IRS is under a mandate set forth in the IRS Restructuring and Reform Act of 1998 to reach an e-file rate of 80%. Congress could revisit this goal, or could require that a new e-filing goal exclude returns accompanied by a RAL.
7. **Require better disclosures on RALs.** Better disclosures would not eliminate RALs or change their negative aspects, but it may result in some consumers having adequate information to choose to decline them. Options include:
 - a. mandatory warning language and text size
 - b. wall postings
 - c. amend the Truth in Lending Act to prohibit unbundling of fees, so that the disclosed APR reflects the true costs of getting a RAL.
8. **Dramatically simplify tax code for low-income filers.** Simplifying the tax code for low-income taxpayers would reduce the need for them to use commercial preparation services, and hence reduce the number of RALs.
9. **Fund “banking the unbanked” programs.** These programs could provide alternatives in the form of bank accounts that enable low-income taxpayers to receive their refunds quickly through direct deposit.

III. Options for State or Local Regulation

States are limited in their ability to regulate the banks that make RALs due to preemption by federal banking statutes and regulators. In particular, the doctrine of rate exportation preempts state usury laws by allowing banks to charge the maximum interest rate permitted in the banks' own home states – to avoid usury caps, banks simply charter in a state without one. Because of federal preemption, state and local regulation should be primarily targeted at “facilitators,” i.e., the tax preparers who partner with banks to offer RALs and other tax refund financial products to consumers. Components of state regulation of RALs could include:

1. **Capping RAL fees by regulating facilitators.** States could prohibit facilitating RALs where the total loan fees exceed 36% or the state usury cap, whichever is lower. However, some state legislators and regulators have been skittish about preemption even with this approach.
2. **Impose a duty on return preparers to act in the best financial interests of their customers.** This duty – called a “fiduciary duty” - would require preparers to truthfully inform customers about their options to receive a refund and recommend the option that would be most beneficial to the customer, not the preparer.
3. **Establish a registration scheme for RAL facilitators.** A state could require RAL facilitators to register with a state agency, put up a bond, file annual reports, and adhere to a code of conduct.
4. **Require better disclosures on RALs.** Again, better disclosures would not eliminate RALs or change their negative aspects, but it may result in some consumers having adequate information to choose to decline them. These include:
 - a. mandatory warning language.
 - b. wall postings.
 - c. require disclosure of special “RAL interest rate” that includes all RAL fees.
5. **Regulate advertising of RALs.** States could require certain language be included in all advertisements for RALs (e.g., “A RAL is a loan”) or prohibit advertising that does not meet certain requirements (e.g., a conspicuous statement that the product is a loan).
6. **Prohibit or regulate abusive features of RALs.** Similar to the federal option, a state could prohibit:
 - a. debt collection by set-off of a tax refund.
 - b. certain aspects of mandatory arbitration clauses.
 - c. referrals to check cashers or permitting check cashing on the premises.
7. **Regulate check cashing fees for RALs and refund checks.** Since a significant percentage of EITC recipients do not have bank accounts, one way to save them money is to regulate the fee for cashing a RAL or tax refund check. Some states already cap the fee for cashing a government check, but tax refund and RAL checks may not be covered under these caps – a state could extend the cap to RAL and refund checks.
8. **No RALs based on state tax refunds.** A state could prohibit RALs secured by a state refund, as does North Carolina. (Note that most RAL lenders don't make RALs against state refunds.)

A critical feature of any state legislation is the ability of consumers to sue for violations. Without a “private right of action,” consumers harmed by violations of the law do not have the ability to seek relief. As for local governments, their ability to enact the options listed above will depend on their authority under state law, which varies by state.

See the Resources Section re: the National Consumer Law Center's model state legislation which includes most of these options.

IV. Options for Treasury/IRS Administrative Action

There are also administrative actions that can be taken by the Department of Treasury and/or IRS without passage of any new laws. The administrative options described below include steps that address some of the problematic features of RALs as well as ones which can reduce market demand for RALs.

1. **Speed IRS refund turnaround time to 48–72 hours.** The IRS has asserted that it will have the ability to issue a refund within two to three days using direct deposit, versus an average of

ten days under the current system. Faster refund processing would reduce the attractiveness of RALs. However, the current timetable for accomplishing this is unclear and – with the agency facing budget cuts – it seems to have fallen aside as an IRS priority. Also, the IRS has previously indicated that it may not expedite refunds for the EITC portion of the refund. The move to quicker refunds should apply to all of the refund.

2. **Eliminate the debt indicator program.** With the debt indicator program, the IRS screens electronically filed returns and informs tax preparers whether the federal government has any claims against the taxpayers' refunds. The debt indicator has been criticized as a government-funded program that aids RALs, increasing lender profitability. The IRS could drop the debt indicator program as it did in the mid-1990s.
3. **Improve and expand the Advance EIC.** Less than one percent of EITC taxpayers used the advance credit option in 2002. By reducing the portion of the credit refunded at tax time, the Advance EIC could presumably serve to reduce the demand for RALs—by increasing RAL price relative to the refund amount, and perhaps by giving families more resources to help them avoid falling behind on bills during the year. However, the Advance EIC is not appropriate for all families (and can result in overpayment and tax liability if incorrectly applied). Therefore, any attempts to promote the Advance EIC should be combined with steps to help ensure it is claimed only in appropriate situations.
4. **Prohibit RALs from being made through the Free File program.** The IRS Free File program is a partnership between the IRS and commercial tax preparers. Under the program, low-income and certain other taxpayers are eligible to prepare and electronically file their taxes for free; those who qualify are referred from the IRS website directly to the website of a participating commercial preparer, where they use the preparer's on-line software. Currently, the IRS permits commercial preparers to market RALs to taxpayers who use Free File. However, the IRS could choose to prohibit preparers from offering RALs to Free File taxpayers.
5. **Amend IRS privacy regulations to strengthen protections against use of taxpayer information to cross-market financial products.** The IRS Code has strong privacy protections for tax return information, including a prohibition on the use of such information for marketing purposes. However, the IRS regulations include an exception that allows preparers to use taxpayer information for marketing so long as the preparers obtain the taxpayer's consent. This consent is generally a boilerplate form embedded in a stack of documents that taxpayers are given to sign. Stronger protections against marketing might lessen the number of RALs.
6. **The Federal Reserve Board should apply the consumer protections of the Electronic Fund Transfer Act to stored value card products that receive tax refund or RAL proceeds.** The Electronic Fund Transfer Act (EFTA) is a federal law that provides consumer protections for ATM, debit card, Internet and other electronic transactions from a consumer's bank account. Currently, it is unclear whether these protections, including protections from liability due to loss or theft, apply to stored value cards. The Federal Reserve Board could ensure that stored value cards that receive tax refunds or RAL proceeds are covered under EFTA by amending Regulation E, which implements EFTA.

V. Resources

ACORN (Association of Community Organizations for Reform Now), *Increasing Incomes and Reducing the Rapid Refund Rip-Off*, September 2004.

Alan Berube and Thacher Tiffany, *The "State" of Low-Wage Workers: How the EITC Benefits Urban and Rural Communities in the 50 States*, February 2004.

Alan Berube, *Rewarding Work Through the Tax Code*, Brookings Institution, January 2003.

Alan Berube, et al., *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*, Brookings Institution and Progressive Policy Institute, May 2002.

Children's Defense Fund Minnesota, *Keeping What They've Earned: Working Minnesotans and Tax Credits*, January 2003.

Children's Defense Fund, *How You Can Help Working Families: Recommendations to Address Costly Tax Preparation*, February 2004.

Community Action Committee of the Lehigh Valley and the Rising Tide Community Loan Fund, *Refund Anticipation Lending Report*, August 2004.

National Consumer Law Center, *Model Refund Anticipation Loan Act*, February 2004.

National Consumer Law Center, *Don't Pay to Borrow Your Own Money: The Risks and Costs of Tax Refund Anticipation Loans* (consumer education brochure).

Chi Chi Wu and Jean Ann Fox, *All Drain, No Gain: Refund Anticipation Loans Continue to Sap the Hard-Earned Tax Dollars of Low-Income Americans*, National Consumer Law Center and Consumer Federation of America, January 2004.

Chi Chi Wu and Jean Ann Fox, *The High Cost of Quick Tax Money: Tax Preparation, 'Instant Refund' Loans, and Check Cashing Fees Target the Working Poor*, National Consumer Law Center and Consumer Federation of America, January 2003.

Chi Chi Wu, Jean Ann Fox, and Elizabeth Renuart, *Tax Preparers Peddle High Priced Tax Refund Loans: Millions Skimmed from the Working Poor and the U. S. Treasury*, National Consumer Law Center and Consumer Federation of America, January 2002.

**Testimony of AccountAbility Minnesota
Regarding Voluntary Income Tax Assistance**

Submitted to
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

April 15, 2005

**Bonnie Esposito
Executive Director**

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Senator Coleman and Committee members, thank you for this opportunity to testify before this committee regarding free tax assistance for low-income Minnesotans. I am Bonnie Esposito, the Executive Director of AccountAbility Minnesota, a nonprofit organization that does pro bono accounting and tax assistance by leveraging volunteer resources. Since 1971 AccountAbility Minnesota has managed a dedicated team of volunteer accountants and tax practitioners to help thousands of low-income individuals navigate the tax reporting system so they may satisfy a tax liability or realize benefits they are due. The Earned Income Tax Credit (EITC) and Minnesota's Working Family Credit (WFC) offer essential financial assistance to thousands of Minnesota's working poor. The sum of all these credits can potentially add 50% to a working family's annual income. To give you a sense of our work, last year AccountAbility Minnesota's volunteers at 40 tax sites statewide helped return \$10.9 million in tax refunds to 9,500 low-income taxpayers.

AccountAbility Minnesota is one of many nonprofit organizations that offer free tax assistance through the IRS Voluntary Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. This year in Minnesota the Minnesota Department of Revenue reports there are 276 VITA and TCE tax sites – displayed on the map behind me and included in the list that was handed out earlier. According to the IRS 38,000 federal returns were filed by free tax sites in 2004, yet over 200,000 low-income families claimed EITC, which means they were eligible for the free service. Thus, only a small fraction of the households eligible for the service take advantage of it.

The tax code, especially the part governing the EITC, is complex. Rather than attempting to complete their taxes themselves, two-thirds of low-income Minnesotans pay to have their taxes prepared and filed. Children's Defense Fund Minnesota estimates that low-income Minnesotans spend more than seven percent (or about \$120) of the average EITC refund just to claim it. In 2003, at least \$18.5 million of the federal EITC funds claimed in Minnesota were spent on tax preparation and filing costs.

Why don't more Low Income families take advantage of free tax assistance? We believe there are a number of reasons:

1. Lack of capacity of the VITA program – VITA tax sites are usually filled to capacity, with long waiting lines for service. People are frequently turned away – especially at this time of year. For example, this week we turned taxpayers away at almost every tax session because we were filled to capacity. Due to funding cuts the IRS has had to cut back services substantially to the VITA program and is no longer able to recruit or train volunteers, or offer technical assistance at VITA tax sites. IRS walk-in centers used to be able to handle the most difficult tax problems, but they are no longer able to do so. Last year in Minnesota the IRS walk-in clinics prepared only 139 federal returns for EITC eligible households. They are now referring many of the taxpayers they used to help to our tax sites.

2. Inconvenient times or locations to receive the service. Of the 276 tax sites displayed on the map behind me, only 15 to 20% are VITA sites. The rest are Tax Counseling for the Elderly (TCE) tax sites. Although many TCE sites also help families, they target their services to seniors and are often located in senior buildings, senior centers, and are open daytime hours which are inconvenient for working low-income people. Also many of the TCE sites serve senior first and help families only if the volunteers have time. In contrast, to make it convenient for working families, VITA tax sites are open evenings and weekends. They also are often located in community-based sites where families are used to going for other types of services. However, VITA tax sites are severely under funded and are unable to serve more than three percent of the eligible households.

3. Lack of advertising dollars -- H&R Block, Jackson Hewitt, and other commercial tax preparers have multi-million dollar budgets to aggressively market their instant refunds. Nonprofit organizations with limited dollars rely on grass roots marketing and networking to advertise our service. Commercial ads lead people to believe they must use a commercial preparer in order to get their refund quickly. The public isn't aware how quickly they can get their money if they file electronically and have their refund direct deposited. AccountAbility Minnesota customers using direct deposit this tax season had their state refund in three days – only 1 day longer than the classic Refund Anticipation Loan and they didn't have to pay over \$120 (plus an additional \$100 for the loan) to get their own money.

Suggestions for improvement:

First, organize and sponsor a major marketing campaign with a public/private partnership among government, Minnesota's largest companies and employers, and major philanthropic partners to advertise not only the EITC, but also free tax assistance. Second, have partners make a commitment to have their employees volunteer, thereby setting an example to spur additional recruitment. Third, have the businesses and philanthropic partners announce their investment in the VITA program through private grants. Fourth, Congress needs to contribute federal funding through such legislation as the Good Government bill, now before you. This type of campaign would help advertise the free service to the people that need the help, it would help recruit volunteers that are needed to expand the service, and it would stimulate private funding to help nonprofits that manage VITA tax sites increase their capacity to offer service. Senator Coleman, I ask that you consider serving as the champion of this campaign for the government sector and I invite you to volunteer as a tax preparer at an AccountAbility Minnesota tax site this coming tax season.

Senator Coleman, thank you again for this opportunity to testify before your committee regarding the VITA program. According to the study done by CDF MN, low-income families paid over \$23 million dollars for tax preparation and Refund Anticipation Loans, fees and interest in 2003 – much of that going to out-of-state banks. Please help us keep more of those dollars in the pockets of the working poor by expanding free tax assistance throughout the state of Minnesota.

**ATTACHMENT TO STATEMENT OF
BONNIE ESPOSITO
Executive Director
AccountAbility Minnesota
St. Paul, Minnesota**

**VITA SITES
IN
MINNESOTA**

<i>Place</i>	SECURITY STATE BANK		
<i>Address</i>	MINNESOTA ST	AITKIN	56431
<i>County & Site #</i>	AITKIN	S50053103	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	APPOINTMENT FOR OTHER DAYS CALL 218-927-1920 OR 3811		
	Updated:01/25/2005		

<i>Place</i>	SENIOR CITIZEN BUILDING		
<i>Address</i>	MAIN STREET	AKELEY	56433
<i>County & Site #</i>	HUBBARD	S50053501	
<i>Days Open</i>	MONDAY		
<i>Hours</i>	1:00 PM - 5:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
	Updated:01/25/2005		

<i>Place</i>	ALBANY SENIOR CENTER		
<i>Address</i>	741 LAKE AVE	ALBANY	56307
<i>County & Site #</i>	STEARNS	S50053201	
<i>Days Open</i>	SECOND AND FOURTH TUESDAY		
<i>Hours</i>	2:00 PM - 6:00 PM		
<i>Language</i>			
	By Appointment Only 320-845-2480		
	Handicap Accessible		
<i>Notes</i>			
	Updated:02/01/2005		

<i>Place</i>	SENIOR CITIZEN CENTER/ALBERT LEA		
<i>Address</i>	SKYLINE MALL WEST MAIN ST.	ALBERT LEA	56007
<i>County & Site #</i>	FREEBORN	S50052814	
<i>Days Open</i>	TUESDAY AND THURSDAY		

<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 507-373-0704		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	SENIOR COMMUNITY CENTER		
<i>Address</i>	414 HAWTHORNE ST.	ALEXANDRIA	56308
<i>County & Site #</i>	DOUGLAS	S50053915	
<i>Days Open</i>	MONDAY, TUESDAY, WEDNESDAY AND FRIDAY		
<i>Hours</i>	9:00 AM - 2:30 PM		
<i>Language</i>			
	By Appointment Only 320-762-2087		
	Handicap Accessible		
<i>Notes</i>			Updated:02/01/2005

<i>Place</i>	ALEXANDRIA TECHNICAL COLLEGE		
<i>Address</i>	1601 JEFFERSON ST	ALEXANDRIA	56308
<i>County & Site #</i>	DOUGLAS	S50014109	
<i>Days Open</i>	TUESDAY AND THURSDAY - CLOSED MARCH 22 AND 24 AND APRIL 14TH		
<i>Hours</i>	3:00 PM - 5:00 PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>	INCOME MUST BE \$25,000 OR LESS		Updated:02/10/2005

<i>Place</i>	ANNANDALE CITY HALL		
<i>Address</i>	41 CEDAR COURT	ANNANDALE	55302
<i>County & Site #</i>	WRIGHT	S50051842	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			
	By Appointment Only 320-274-3425		
	Handicap Accessible		

Notes

Updated:01/26/2005

Place	ZION LUTHERAN CHURCH		
Address	1601 4TH AVE. S RM 104	ANOKA	55303
County & Site #	ANOKA	S50051806	
Days Open	THURSDAY		
Hours	9:00 AM - 1:00 PM		
Language			
	Walk-In Only		
Notes			

Updated:01/26/2005

Place	ANOKA SENIOR CENTER		
Address	1500 6TH AVE S	ANOKA	55303
County & Site #	ANOKA	S50052807	
Days Open	THURSDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
	Walk-In Only		
Notes			

Updated:01/26/2005

Place	APPLE VALLEY SENIOR CENTER		
Address	14601 HAYES RD	APPLE VALLEY	55124
County & Site #	DAKOTA	S50051608	
Days Open	TUESDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
	By Appointment Only 952-953-2345		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	HORMEL EMPLOYEES CREDIT UNION		
Address	400 NE 4TH AVE.	AUSTIN	55912
County & Site #	MOWER	S50052101	

Days Open

MONDAY, TUESDAY, WEDNESDAY, THURSDAY

Hours

9:30 AM - 4:00 PM

Language

By Appointment Only

507-434-3329

Notes

Updated:01/26/2005

Place

BACKUS CITY HALL

Address

KING STREET

County & Site #

CASS

Days Open

TUESDAY

Hours

10:00 AM - 2:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place

BATTLE LAKE SENIOR CENTER

Address

209 MAIN ST W

County & Site #

OTTER TAIL

Days Open

TUESDAY

Hours

9:00 AM - 1:00 PM

Language

By Appointment Only

218-495-2460

Handicap Accessible

Notes

Updated:01/31/2005

Place

BEMIDJI SENIOR CENTER

Address

216 3RD ST. NW

County & Site #

BELTRAMI

Days Open

MONDAY, THURSDAY AND FRIDAY;

Hours

9:00 AM - 3:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place MARY ANN SENIOR CENTER

Address 9150 CENTRAL AVE NE

BLAINE

55434

County & Site # ANOKA

S50051830

Days Open MONDAY

Hours 9:00 AM - 1:00 PM

Language

By Appointment Only 763-786-9375

Handicap Accessible

Notes

Updated:01/26/2005

Place HUMAN SERVICES BUILDING

Address 1201 89TH AVE. N E

BLAINE

55434

County & Site # ANOKA

S50051844

Days Open THURSDAY

Hours 9:00 AM - 1:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place FAMILINK BLOOMINGTON

Address CREEKSIDE COMMUNITY CTR BLDG
9801 PENN AVENUE S.

BLOOMINGTON

55431

County & Site # HENNEPIN

S50019763

Days Open MONDAY, TUESDAY, AND SATURDAY

Hours MONDAY STARTING AT 8:00 PM, CLOSED FEBRUARY 21ST
TUESDAY STARTING AT 8:00 PM
SATURDAY STARTING AT 9:00 AM

Language

Walk-In Only

Notes THIS IS A VITA SITE.
THERE IS ALSO A TCE SITE AT THIS LOCATION

Updated:01/24/2005

<i>Place</i>	CREEKSIDE COMMUNITY CENTER		
<i>Address</i>	9801 PENN AVE SO	BLOOMINGTON	55431
<i>County & Site #</i>	HENNEPIN	S50051901	
<i>Days Open</i>	WEDNESDAY AND THURSDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:02/10/2005		

<i>Place</i>	MALL OF AMERICA AARP OFFICE		
<i>Address</i>	60 E BROADWAY	BLOOMINGTON	55425
<i>County & Site #</i>	HENNEPIN		
<i>Days Open</i>	APPOINTMENT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 952-858-9040		
<i>Notes</i>	Updated:01/26/2005		

<i>Place</i>	BLUE EARTH SENIOR CENTER		
<i>Address</i>	118 W. 7TH ST.	BLUE EARTH	56013
<i>County & Site #</i>	FARIBAULT	S50052804	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 507-526-3129		
	Handicap Accessible		
<i>Notes</i>	Updated:02/10/2005		

<i>Place</i>	BRainerd PUBLIC LIBRARY		
<i>Address</i>	416 S 5TH ST	BRAINERD	56401
<i>County & Site #</i>	CROW WING	S50053601	
<i>Days Open</i>	THURSDAY, FRIDAY, SATURDAY		
<i>Hours</i>	THURSDAY 1:00PM - 7:30PM		

FRIDAY 1:00 PM - 5:00 PM
SATURDAY 9:00AM - 12:00 NOON

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/31/2005

Place CENTRAL LAKES COLLEGE

Address 501 WEST COLLEGE DRIVE

BRAINERD

56401

County & Site # CROW WING

S50053603

Days Open TUESDAY, WEDNESDAY AND FRIDAY
Hours 9:00 AM - 1:00 PM

Language

By Appointment Only 218-855-8158

Handicap Accessible

Notes

Updated:01/31/2005

Place SENIOR CITIZENS CENTER

Address 803 KINGSWOOD ST

BRAINERD

56401

County & Site # CROW WING

S50053605

Days Open MONDAY, TUESDAY AND WEDNESDAY
Hours 9:00 AM - 1:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/31/2005

Place BRECKENRIDGE PUBLIC LIBRARY

Address 205 N 7TH ST

BRECKENRIDGE

56520

County & Site # WILKINS

S50054403

Days Open WEDNESDAY
Hours 1:00 PM - 8:00 PM

Language

Walk-In Only

Notes

Updated:01/31/2005

Place	BROOKLYN PARK COMMUNITY CENTER		
Address	8600 ZANE AVE N	BROOKLYN PARK	55443
County & Site #	HENNEPIN	S50052527	
Days Open	MONDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	SENIOR COMMUNITY CENTER/BUFFALO		
Address	206 CENTRAL AVE.	BUFFALO	55313
County & Site #	WRIGHT	S50051804	
Days Open	TUESDAY		
Hours	APPOINTMENT ONLY		
Language			
	By Appointment Only 763-682-6036		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	BURNSVILLE SENIOR CENTER		
Address	296 W BURNSVILLE PKWY	BURNSVILLE	55337
County & Site #	DAKOTA	S50051612	
Days Open	WEDNESDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
	By Appointment Only 952-707-4120		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place

CAMBRIDGE PUBLIC LIBRARY			
<i>Address</i>	244 BIRCH STREET S.	CAMBRIDGE	55008
<i>County & Site #</i>	ISANTI	S50053703	
<i>Days Open</i>	SATURDAY, STARTING FEB 19TH		
<i>Hours</i>	9:30 AM - 3:30 PM		
<i>Language</i>			
	By Appointment Only 763-444-4086		
	Handicap Accessible		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	CITY HALL COMMUNITY ROOM		
<i>Address</i>	306 MILL STREET W.	CANNON FALLS	55009
<i>County & Site #</i>	GOODHUE	S50051412	
<i>Days Open</i>	TUESDAY AND THURSDAY		
<i>Hours</i>	9:00 AM - 11:00 AM		
<i>Language</i>			
	By Appointment Only 507-263-3221		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	LEECH LAKE TRIBAL COLLEGE		
<i>Address</i>	3RD STREET AND CENTRAL	CASS LAKE	56633
<i>County & Site #</i>	CASS	S50053517	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:30 AM - 3:30 PM		
<i>Language</i>			
	By Appointment Only 1-888-829-4240		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	CHANHASSEN LIBRARY		
<i>Address</i>	7711 KERBER BLVD	CHANHASSEN	55317
<i>County & Site #</i>	CARVER	S50051307	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	10:00AM - 12:30PM		

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place SENIOR CENTER - CITY HALL/CHATFIELD*Address* 21 2ND ST. SE

CHATFIELD

55923

County & Site # FILLMORE

S50052614

Days Open BY APPOINTMENT ONLY*Hours**Language*

By Appointment Only 507-867-3320

Handicap Accessible

Notes

Updated:01/26/2005

Place CHISHOLM SENIOR CENTER*Address* 319 W LAKE STREET

CHISHOLM

55719

County & Site # SAINT LOUIS

S50053307

Days Open WEDNESDAY*Hours* 9:00 AM - 2:00 PM*Language*

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place CLAREMONT AMERICAN LEGION POST*Address* 13 W. MAIN ST.

CLAREMONT

55924

County & Site # DODGE

S50052602

Days Open BY APPOINTMENT ONLY*Hours**Language*

By Appointment Only 507-634-4899

Handicap Accessible

Notes

Updated:01/26/2005

Place CLARISSA CITY HALL
 Address 202 MAIN ST W CLARISSA 56440
 County & Site # TODD S50053407
 Days Open WEDNESDAYS - FEB. 16; MARCH 16, 30; AND APRIL 13 AT THE SENIOR CENTER;
 Hours 1:00 PM - 4:00 PM
 Language
 Walk-In Only
 Handicap Accessible
 Notes
 Updated:01/25/2005

Place CLOQUET PUBLIC LIBRARY
 Address 320 14TH ST. CLOQUET 55720
 County & Site # CARLTON S50054201
 Days Open TUESDAY
 Hours 9:00AM - 1:00PM
 Language
 Walk-In Only
 Handicap Accessible
 Notes
 Updated:01/25/2005

Place FOND DU LAC TRIBAL CENTER
 Address 1720 BIG LAKE ROAD CLOQUET 55720
 County & Site # CARLTON S50014889
 Days Open MONDAY, TUESDAY, AND SATURDAY
 Hours MONDAY 11:00AM - 2:00PM, TUESDAY 5:00PM - 8:00PM SATURDAY 10:00AM-4:00PM
 Language
 Walk-In Only
 Notes
 Updated:01/25/2005

Place COKATO CITY HALL
 Address 255 BROADWAY AVE. N. COKATO 55321

<i>County & Site #</i>	WRIGHT	S50051854	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	10:00AM - 2:00PM		
<i>Language</i>			
	By Appointment Only 320/286-5505		
<i>Notes</i>	NO HANDICAPPED ACCESS		
		Updated:01/26/2005	

<i>Place</i>	ROCORI SENIOR CENTER		
<i>Address</i>	527 MAIN ST.	COLD SPRING	56320
<i>County & Site #</i>	STEARNS	S50053219	
<i>Days Open</i>	TUESDAY AND WEDNESDAY		
<i>Hours</i>	9:00 AM - 5:00 PM		
<i>Language</i>			
	By Appointment Only 320-685-4935		
<i>Notes</i>			
		Updated:02/01/2005	

<i>Place</i>	MURZYN HALL SENIOR CENTER		
<i>Address</i>	530 MILL ST NE	COLUMBIA HEIGHTS	55421
<i>County & Site #</i>	ANOKA	S50051503	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
		Updated:01/26/2005	

<i>Place</i>	COON RAPIDS SENIOR CENTER		
<i>Address</i>	11155 ROBINSON DRIVE NW	COON RAPIDS	55433
<i>County & Site #</i>	ANOKA	S50051860	
<i>Days Open</i>	TUESDAY AND WEDNESDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		

Notes

Updated:01/26/2005

<i>Place</i>	SOUTH WASHINGTON SR CTR.		
<i>Address</i>	8400 E POINT DOUGLAS ROAD S	COTTAGE GROVE	55016
<i>County & Site #</i>	WASHINGTON	S50051717	
<i>Days Open</i>	WEDNESDAY AND THURSDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			
	By Appointment Only 651-458-6650		
	Handicap Accessible		
<i>Notes</i>			

Updated:01/26/2005

<i>Place</i>	GOLDEN LINK SENIOR CENTER		
<i>Address</i>	324 N. BROADWAY	CROOKSTON	56716
<i>County & Site #</i>	POLK	S50053523	
<i>Days Open</i>	TUESDAY, WEDNESDAY AND THURSDAY		
<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 218-281-3072		
	Handicap Accessible		
<i>Notes</i>			

Updated:01/25/2005

<i>Place</i>	J F HALLETT MEMORIAL LIBRARY		
<i>Address</i>	101 1ST ST SE	CROSBY	56441
<i>County & Site #</i>	CROW WING	S50053607	
<i>Days Open</i>	TUESDAY AND WEDNESDAY		
<i>Hours</i>	12:00 NOON - 4:00 PM		
<i>Language</i>			
	By Appointment Only 218-546-8005		
	Handicap Accessible		
<i>Notes</i>			

Updated:01/31/2005

<i>Place</i>	CROSSLAKE COMMUNITY CENTER		
<i>Address</i>	DAGGET LAKE RD	CROSSLAKE	56442
<i>County & Site #</i>	CROW WING	S50052609	
<i>Days Open</i>	TUESDAY AND WEDNESDAY		
<i>Hours</i>	12:00 NOON - 4:00 PM		
<i>Language</i>			
	By Appointment Only 218-692-4271		
	Handicap Accessible		
<i>Notes</i>			Updated:01/31/2005

<i>Place</i>	THORSON FAMILY RESOURCE CTR		
<i>Address</i>	7323 58TH AVENUE N	CRYSTAL	55428
<i>County & Site #</i>	HENNEPIN	S50010036	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	STARTING AT 5:30 PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	CRYSTAL COMMUNITY CENTER		
<i>Address</i>	4800 DOUGLAS DRIVE N	CRYSTAL	55429
<i>County & Site #</i>	HENNEPIN		
<i>Days Open</i>	EVERY OTHER THURSDAY STARTING FEBRUARY 17TH		
<i>Hours</i>	9:00AM 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	DAYTON SENIOR CENTER		
<i>Address</i>	18461 DAYTON AVE	DAYTON	55327
<i>County & Site #</i>	HENNEPIN	S50051824	
<i>Days Open</i>	MONDAY AND FRIDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			

By Appointment Only 763-428-4692

Handicap Accessible

Notes

Updated:01/26/2005

Place DELANO AREA SENIOR CENTER

Address 234 2ND ST N BOX 46

DELANO

55328

County & Site # WRIGHT

S50051852

Days Open WEDNESDAY

Hours 9:00 AM - 12:00 NOON

Language

By Appointment Only 763-972-0574

Handicap Accessible

Notes

Updated:01/26/2005

Place PUBLIC LIBRARY

Address 1000 WASHINGTON AVE

DETROIT LAKES

56501

County & Site # BECKER

Days Open TUESDAY, WEDNESDAY AND SATURDAY

Hours TUESDAY AND WEDNESDAY 4:00 PM - 6:30 PM
SATURDAY 10:30 AM - 3:00 PM

Language

By Appointment Only 218-847-1385

Handicap Accessible

Notes

Updated:01/25/2005

Place MAHUBE COMMUNITY CENTER

Address 1125 W RIVER ROAD

DETROIT LAKES

56501

County & Site # BECKER

S50053537

Days Open TUESDAY, WEDNESDAY, AND THURSDAY

Hours 9:00 AM - 3:00 PM

Language

By Appointment Only 218- 847-1385

Handicap Accessible

Notes

Updated:01/25/2005

Place DODGE CENTER LIBRARY
Address 13 1ST AVE NW DODGE CENTER 55927
County & Site # DODGE S50052622
Days Open BY APPOINTMENT ONLY
Hours
Language
 By Appointment Only 507-634-4899
 Handicap Accessible
Notes

Updated:01/26/2005

Place HERITAGE ESTATES
Address 111 2ND ST SW DODGE CENTER 55927
County & Site # DODGE S50052630
Days Open APPOINTMENT ONLY
Hours
Language
 By Appointment Only 507-634-4899
Notes

Updated:01/26/2005

Place UNIVERSITY OF MN DULUTH
Address 10 UNIVERSITY DRIVE - KIRBY STUDENT DULUTH 55812
 CTR.
County & Site # SAINT LOUIS S50010214
Days Open WEDNESDAY 2:00 PM - 8:00 PM
 SATURDAY 1:00 PM - 4:00 PM
Hours
Language
 Walk-In Only
 Handicap Accessible
Notes OPEN FEB 5TH THROUGH MARCH 16TH AND MARCH 28TH THROUGH APRIL 13TH
 Updated:01/25/2005

Place DULUTH REFERENCE LIBRARY
Address 520 W SUPERIOR DULUTH 55802

<i>County & Site #</i>	SAINT LOUIS	S50010214	
<i>Days Open</i>	MONDAY 2:00 PM - 8:00 PM TUESDAY 5:00 PM - 8:00 PM SATURDAY 10:00 AM - 4:00 PM		
<i>Hours</i>			
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>	OPEN FEB 5TH THROUGH MARCH 16TH AND MARCH 28TH THROUGH APRIL 13TH Updated:01/25/2005		

<i>Place</i>	PORTMAN SQUARE		
<i>Address</i>	46TH AVE E & MCCULLOCH	DULUTH	55804
<i>County & Site #</i>	SAINT LOUIS	S50054203	
<i>Days Open</i>	MONDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:01/25/2005		

<i>Place</i>	LINCOLN SENIOR CENTER		
<i>Address</i>	2014 W 3RD ST	DULUTH	55806
<i>County & Site #</i>	SAINT LOUIS	S50054215	
<i>Days Open</i>	WEDNESDAY, THURSDAY AND FRIDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			
	By Appointment Only 218-722-4107		
	Handicap Accessible		
<i>Notes</i>	Updated:01/25/2005		

<i>Place</i>	WEST DULUTH AMERICAN LEGION		
<i>Address</i>	5814 GRAND AVE	DULUTH	55807
<i>County & Site #</i>	SAINT LOUIS	S50054205	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	11:30 AM - 2:30 PM		

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place RAINBOW SENIOR CENTER*Address* 211 N 3RD AVE E

DULUTH

55805

County & Site # SAINT LOUIS

S50054213

Days Open WEDNESDAY, THURSDAY AND FRIDAY*Hours* 9:00 AM - 1:00 PM*Language*

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place CHUM ADMINISTRATIVE OFFICE*Address* 102 W 2ND STREET

DULUTH

55802

County & Site # SAINT LOUIS

S50054216

Days Open APPOINTMENT ONLY*Hours**Language*

By Appointment Only 218-726-0153

Notes

Updated:01/25/2005

Place LIGHTHOUSE FOR THE BLIND*Address* 4505 W SUPERIOR STREET

DULUTH

55807

County & Site # SAINT LOUIS*Days Open* FRIDAY*Hours* 10:00 AM - 12:00 NOON*Language*

By Appointment Only 218-624-4828

Notes

Updated:01/25/2005

<i>Place</i>	COMMUNITY ACTION DULUTH		
<i>Address</i>	19 NORTH 21ST AVENUE WEST	DULUTH	55806
<i>County & Site #</i>	SAINT LOUIS		
<i>Days Open</i>	TUESDAYS AND SATURDAYS		
<i>Hours</i>	TUESDAYS 5:00PM - 9:00PM SATURDAYS 9:00AM - 1:00PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			
			Updated:01/25/2005

<i>Place</i>	EAGAN COMMUNITY CENTER		
<i>Address</i>	1501 CENTRAL PARKWAY	EAGAN	55121
<i>County & Site #</i>	DAKOTA		
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	9:00 AM - 12:30 PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			
			Updated:02/25/2005

<i>Place</i>	EDEN PRAIRIE SENIOR CENTER		
<i>Address</i>	8950 EDEN PRAIRIE RD	EDEN PRAIRIE	55347
<i>County & Site #</i>	HENNEPIN	S50051862	
<i>Days Open</i>	MONDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			
	By Appointment Only 952-949-8475		
	Handicap Accessible		
<i>Notes</i>			
			Updated:01/26/2005

<i>Place</i>	SENIOR CITIZENS BUILDING/EDINA		
<i>Address</i>	7151 YORK AVE S	EDINA	55435
<i>County & Site #</i>	HENNEPIN	S50051905	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			

Walk-In Only	
Handicap Accessible	
Notes	Updated:01/26/2005

Place	EDINA COMMUNITY CENTER		
Address	5280 GRANDVIEW AVE S	EDINA	55436
County & Site #	HENNEPIN	S50051913	
Days Open	MONDAY AND WEDNESDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
Walk-In Only			
Notes		Updated:01/26/2005	

Place	WEST CENTRAL MN COMMUNITIES ACTION INC		
Address	411 INDUSTRIAL PARK BLVD	ELBOW LAKE	56531
County & Site #	GRANT		
Days Open	THURSDAYS AND SATURDAYS		
Hours	THURSDAYS 5:00PM - 9:00PM SATURDAYS 8:00AM - 12:00 NOON		
Language			
By Appointment Only	1-800-492-4805 OR 1-218-685-4486 EXT 100		
Notes		Updated:01/25/2005	

Place	GARDEN OAKS APARTMENTS		
Address	350 EVANS AVE W	ELK RIVER	55330
County & Site #	SHERBURNE	S50051505	
Days Open	MONDAY		
Hours	1:00 PM - 4:00 PM		
Language			
By Appointment Only	763-241-4430		
Notes		Updated:01/26/2005	

Place	VERMILLION COMMUNITY CENTER		
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Address 1900 E CAMP - ELY 55731
County & Site # SAINT LOUIS S50053319
Days Open THURSDAYS - FEBRUARY 17, 24; MARCH 3, 17, 24, 31; FRIDAYS - FEBRUARY 11, 25; MARCH 4, 18;
Hours APRIL 1
Language
 Walk-In Only
 Handicap Accessible
Notes TIMES AND LOCATION VARY, CALL FOR INFORMATION AT 365-7245
 Updated:02/01/2005

Place EMILY CITY HALL
Address 21236 2ND STREET EMILY 56447
County & Site # CROW WING S50053519
Days Open WEDNESDAY AND SATURDAY
Hours WEDNESDAY 3:00 PM - 7:00 PM
 SATURDAY 9:00 AM - 1:00 PM
Language
 By Appointment Only 218-763-3966
 Handicap Accessible
Notes
 Updated:01/25/2005

Place EAST RANGE SHUT - INS
Address EVELETH 55734
County & Site # SAINT LOUIS S50053313
Days Open APPOINTMENT ONLY
Hours
Language
 By Appointment Only MARIAN AT
 218-744-5635
Notes
 Updated:01/25/2005

Place FAITH UNITED METHODIST CHURCH
Address 27 4TH ST. W. EYOTA 55934
County & Site # OLMSTED S50052634

Days Open BY APPOINTMENT ONLY
Hours

Language

By Appointment Only 507-545-2082

Handicap Accessible

Notes

Updated:01/26/2005

Place MARTIN COUNTY LIBRARY

Address 110 N PARK ST BSMT

FAIRMONT

56031

County & Site # MARTIN

S50052818

Days Open THURSDAY

Hours 9:30 AM - 4:00 PM

Language

By Appointment Only 507-238-3107

Handicap Accessible

Notes

Updated:01/26/2005

Place FALCON HEIGHTS CITY HALL

Address 2077 LARPENTEUR AVE W

FALCON HEIGHTS

55113

County & Site # RAMSEY

S50052713

Days Open TUESDAY AND THURSDAY

Hours 9:00 AM - 12:00 NOON

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place FARIBAULT COMMUNITY CENTER

Address 19 DIVISION ST W.

FARIBAULT

55021

County & Site # RICE

S50052303

Days Open FRIDAYS

Hours 9:00 AM- 3:00 PM

Language

By Appointment Only 507-332-7357

Handicap Accessible

Notes

Updated:01/26/2005

Place RAMBLING RIVER CENTER

Address 431 3RD ST

FARMINGTON

55024

County & Site # DAKOTA

S50051614

Days Open TUESDAY

Hours 9:00 AM - 1:00PM

Language

By Appointment Only 651-463-4828

Handicap Accessible

Notes

Updated:01/26/2005

Place FERGUS FALLS SENIOR CTR

Address 115 LINCOLN AVE W

FERGUS FALLS

56537

County & Site # OTTER TAIL

S50054407

Days Open TUESDAY AND THURSDAY

Hours 9:00 AM - 12:00 NOON

Language

By Appointment Only 218-736-6842

Handicap Accessible

Notes

Updated:01/31/2005

Place CAMPFIRE OFFICE

Address 120 E LINCOLN AVE

FERGUS FALLS

56537

County & Site # OTTER TAIL

S50054405

Days Open WEDNESDAY

Hours 1:00 PM - 5:00 PM

Language

By Appointment Only 218-736-6842

Handicap Accessible

Notes

Updated:01/31/2005

<i>Place</i>	COMM. ED. & FARM MGT. CTR.		
<i>Address</i>	840 NORMAN AVENUE N	FOLEY	56329
<i>County & Site #</i>	BENTON	S50053203	
<i>Days Open</i>	FEBRUARY 16TH AND APRIL 6TH		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 320-968-8619		
	Handicap Accessible		
<i>Notes</i>			
			Updated:02/01/2005

<i>Place</i>	FOREST LAKE SENIOR CENTER		
<i>Address</i>	767 4TH ST SW	FOREST LAKE	55025
<i>County & Site #</i>	WASHINGTON	S50051715	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>			
	By Appointment Only 651-464-5833		
	Handicap Accessible		
<i>Notes</i>			
			Updated:01/26/2005

<i>Place</i>	FRIDLEY SENIOR CENTER		
<i>Address</i>	6085 7TH ST NE	FRIDLEY	55432
<i>County & Site #</i>	ANOKA	S50051501	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
			Updated:01/26/2005

<i>Place</i>	LIGHT OF THE CROSS LUTH CHURCH		
<i>Address</i>	265 MONROE ST	GARRISON	56450
<i>County & Site #</i>	CROW WING	S50053611	

Days Open THURSDAY AND SATURDAY
Hours 10:00 AM - 4:00 PM

Language

By Appointment Only 320-692-4957

Handicap Accessible

Notes

Updated:01/31/2005

Place BROOKVIEW COMMUNITY CENTER
Address 200 BROOKVIEW PKY GOLDEN VALLEY 55426
County & Site # HENNEPIN
Days Open THURSDAYS - THE FIRST AND THIRD THURSDAY OF EACH MONTH
Hours 9:00AM 12:00 NOON
Language
Walk-In Only
Notes

Updated:01/26/2005

Place COOK COUNTY SENIOR CENTER
Address 10 BROADWAY AVE. GRAND MARAIS 55604
County & Site # COOK S50054103
Days Open TUESDAY
Hours 9:00 AM - 3:00 PM
Language
By Appointment Only 218-387-2767
Handicap Accessible
Notes

Updated:01/25/2005

Place ITASCA COUNTY COURTHOUSE
Address 123 NE 4TH ST. GRAND RAPIDS 55744
County & Site # ITASCA S50053802 &3803
Days Open MONDAY & WEDNESDAY
Hours 9:00 AM - 5:00 PM
Language
Walk-In Only
Handicap Accessible

Notes ALSO OPEN ON SATURDAY DURING FEBRUARY FROM 9:00 - 1:00
Updated:01/25/2005

Place	FIRST STATE BANK		
Address	203 STATE ST.	GREY EAGLE	56336
County & Site #	TODD	S50053401	
Days Open	WEDNESDAYS		
Hours	MARCH 2 AND 9 FROM 12:00 NOON - 3:00 AT BANK AND MARCH 16 AND 23 FROM 1:00PM - 4:00PM AT VILLAGE VIEW APTS		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			
	Updated:01/26/2005		

Place	MCGIRE'S INN ON WOMAN LAKE		
Address	WOMAN LAKE ROAD	HACKENSACK	56452
County & Site #	CASS	S50053505	
Days Open	TUESDAY		
Hours	12:30 PM - 4:30 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			
	Updated:01/25/2005		

Place	SENIOR CITIZEN BUILDING		
Address	FIRST STREET	HACKENSACK	56452
County & Site #	CASS	S50044908	
Days Open	WEDNESDAY		
Hours	9:00 AM - 1:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes	OTHER DAYS BY APPOINTMENT CALL 218-675-6840		
	Updated:01/25/2005		

Place OUR SAVIOR'S LUTHERAN CHURCH
Address 400 W. 9TH ST HASTINGS 55033
County & Site # DAKOTA S50051713
Days Open TUESDAY
Hours 9:30 AM - 1:30 PM
Language
By Appointment Only 651-438-0750 *
Handicap Accessible
Notes *THE PERSON ANSWERING THE PHONE AND MAKING APPTS WILL BE FROM THE SENIOR CENTER
Updated:01/26/2005

Place MIDTOWN MANOR
Address 115 2ND ST NE HAYFIELD 55940
County & Site # DODGE S50052604
Days Open APPOINTMENT ONLY
Hours
Language
By Appointment Only 507-634-4899
Notes
Updated:01/26/2005

Place HENNING COMMUNITY CENTER
Address 607 2ND ST. HENNING 56551
County & Site # OTTER TAIL S50054417
Days Open WEDNESDAY
Hours 1:00 PM - 4:00 PM
Language
By Appointment Only 218-583-2402
Handicap Accessible
Notes
Updated:01/31/2005

Place AEOA
Address 5028 MILLER TRUNK HWY HERMANTOWN 55811
County & Site # SAINT LOUIS
Days Open TUESDAYS
Hours 9:00AM - 12:00 NOON

Language

By Appointment Only 218-729-5509

Notes

Updated:01/25/2005

Place HIBBING TOURIST SENIOR CENTER*Address* 1202 E HOWARD ST.

HIBBING

55746

County & Site # SAINT LOUIS

S50053309

Days Open MONDAY*Hours* 9:00 AM - 2:00 PM*Language*

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place HIBBING PUBLIC LIBRARY*Address* 2020 5TH AVE E

HIBBING

55746

County & Site # SAINT LOUIS

S50053311

Days Open FRIDAY AND SATURDAY*Hours* FRIDAY 9:00 AM - 3:00 PM

SATURDAY 9:00 AM - 1:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place CANTEEN MEMORIAL BUILDING*Address* 400 E 23RD ST.

HIBBING

55746

County & Site # SAINT LOUIS

S50053301

Days Open TUESDAY*Hours* 9:00 AM TO 1:00PM*Language*

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place ST. PATRICKS CHURCH
Address 203 LAWLER AVE. HINCKLEY 55037
County & Site # PINE S50053713
Days Open THURSDAYS STARTING FEB 24TH
Hours 5:30 PM - 7:30 PM
Language
By Appointment Only 320-384-0207
Handicap Accessible
Notes

Updated:01/25/2005

Place HOLDINGFORD CITY HALL
Address 420 MAIN ST. HOLDINGFORD 56340
County & Site # STEARNS S50053205
Days Open EVERY OTHER THURSDAY STARTING FEB 3RD
Hours
Language
By Appointment Only 320-845-2480
Handicap Accessible
Notes

Updated:02/01/2005

Place HOPKINS COMMUNITY CENTER
Address 33 - 14TH AVE N HOPKINS 55343
County & Site # HENNEPIN S50051858
Days Open MONDAY AND WEDNESDAY
Hours 8:30 AM - 11:00 AM
Language
Walk-In Only
Handicap Accessible
Notes

Updated:01/26/2005

Place HOPKINS AREA FAMILY RESOURCE CTR
Address 915 MAIN STREET HOPKINS 55343

County & Site # HENNEPIN S50010030
Days Open MONDAY & SATURDAY,
Hours MONDAY STARTING AT 6:00 PM CLOSED FEBRUARY 21ST
SATURDAY STARTING AT 8:00 AM
Language
Walk-In Only
Notes FOR QUESTIONS CALL 952- 988-5350
Updated:01/24/2005

Place COMMUNITY ACTION FOR SUBURBAN HENNEPIN
Address 33 10TH AVENUE S SUITE 150 HOPKINS 55343
County & Site # HENNEPIN S50011961
Days Open VARIOUS ONE DAY SITES - SEE FLYER FOR LOCATIONS
Hours
Language
Notes FOR MORE INFORMATION AND REGISTRATION DETAILS CALL 952-933-9639 X 211
Updated:01/25/2005

Place CITY HALL BLDG
Address 625 8TH AVE HOWARD LAKE 55349
County & Site # WRIGHT S50051850
Days Open MONDAY
Hours 10:00AM - 2:00PM
Language
By Appointment Only 320-543-3670
Notes
Updated:01/26/2005

Place HUTCHINSON EVENT CENTER
Address 1005 HWY 15 S HUTCHINSON 55350
County & Site # MCLEOD S50051816
Days Open APPOINTMENT ONLY
Hours
Language
By Appointment Only 320-234-5656
Handicap Accessible

Notes

Updated:01/26/2005

Place	KOOTASCA ACTION COUNCIL		
Address	2232 E. 2ND AVE. E	INTERNATION FALLS	56649
County & Site #	KOOCHICHING	S50054301	
Days Open	MONDAY, WEDNESDAY, & THURSDAY		
Hours	MONDAY AND WEDNESDAY 9:00 AM - 4:00 PM. THURSDAY 9:00 AM - 12:00 NOON		
Language			
	By Appointment Only 218-283-9491		
	Handicap Accessible		
Notes			

Updated:01/25/2005

Place	VETERAN MEMORIAL COMM BLDG		
Address	8055 BARBARA AVE	INVER GROVE HEIGHTS	55077
County & Site #	DAKOTA	S50051602	
Days Open	WEDNESDAY		
Hours	8:30 AM - 12:30 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	JACKSON PUBLIC LIBRARY		
Address	311 3RD ST.	JACKSON	56143
County & Site #	JACKSON	S50052406	
Days Open	THURSDAY		
Hours	1:00 PM - 5:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	SUNWOOD MANOR
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<i>Address</i>	200 NE 1ST ST.	KASSON	55944
<i>County & Site #</i>	DODGE	S50052620	
<i>Days Open</i>	BY APPOINTMENT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-634-4899		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	400 BUILDING		
<i>Address</i>	400 SW 2ND ST	KASSON	55944
<i>County & Site #</i>	DODGE	S50052606	
<i>Days Open</i>	APPOINTMENT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-634-4899		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	KINGSBURY COURT		
<i>Address</i>	200 BUILDING	KENYON	55946
<i>County & Site #</i>	GOODHUE	S50051408	
<i>Days Open</i>	FEB. 10; MAR. 9; AND APRIL 13;		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-263-3221		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	LAKE CITY PUBLIC LIBRARY		
<i>Address</i>	201 HIGH ST	LAKE CITY	55041
<i>County & Site #</i>	WABASHA	S50051406	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 651-345-4013		

Handicap Accessible

Notes

Updated:01/26/2005

Place	LAKE CRYSTAL TOWERS		
Address	203 S. MAIN ST.	LAKE CRYSTAL	56055
County & Site #	BLUE EARTH	S50052824	
Days Open	WEDNESDAY		
Hours	1:00 PM - 4:00 PM		
Language			
	By Appointment Only	507-726-2179	
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	LAKE ELMO CITY HALL		
Address	3800 LAVERNE AVE N	LAKE ELMO	55042
County & Site #	WASHINGTON	S50051707	
Days Open	THURSDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
	By Appointment Only	651-777-5510	
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	LAKEVILLE SENIOR CENTER		
Address	20732 HOLT AVE	LAKEVILLE	55044
County & Site #	DAKOTA		
Days Open	THURSDAYS		
Hours	9:00AM - 1:00PM		
Language			
	By Appointment Only	952-985-4622	
Notes			

Updated:01/26/2005

Place

Place	ZIEBARTH LEARNING CENTER		
Address	706 TURRIL STREET	LE SUEUR	56058
County & Site #	LE SUEUR	S50052820	
Days Open	FRIDAY		
Hours	1:00 PM - 4:00 PM		
Language			
Notes	By Appointment Only 507-665-6244		
	Updated:01/26/2005		

Place	SENIOR DINING CENTER/LEWISTON		
Address	75 RICE ST.	LEWISTON	55952
County & Site #	WINONA	S50051204	
Days Open	BY APPOINTMENT ONLY		
Hours			
Language			
Notes	By Appointment Only 507-523-3412		
	Handicap Accessible		
	Updated:01/26/2005		

Place	FAMILY SERVICE BLDG.		
Address	114 HOLCOMBE AVE.	LITCHFIELD	55355
County & Site #	MEEKER	S50051802	
Days Open	TUESDAY AND FRIDAY		
Hours	1:00 PM - 4:00 PM		
Language			
Notes	Walk-In Only		
	STARTS FEBRUARY 27TH		
	Updated:02/10/2005		

Place	LITTLE CANADA CITY HALL		
Address	515 LITTLE CANADA RD E	LITTLE CANADA	55117
County & Site #	RAMSEY	S50052709	
Days Open	THURSDAY		
Hours	9:00 AM - 1:00 PM		
Language			

Walk-In Only
Handicap Accessible
Notes
Updated:01/26/2005

Place	LITTLE FALLS SENIOR CENTER		
Address	510 NE 7TH STREET	LITTLE FALLS	56345
County & Site #	MORRISON	S50053207	
Days Open	THURSDAY		
Hours	1:00 PM - 4:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			
	Updated:02/01/2005		

Place	TAMARACK SR CENTER		
Address	133 N BROWN RD	LONG LAKE	55356
County & Site #	HENNEPIN	S50051828	
Days Open	SECOND AND FOURTH TUESDAY OF THE MONTH		
Hours			
Language			
	By Appointment Only 952-476-2554		
	Handicap Accessible		
Notes			
	Updated:01/26/2005		

Place	SENIOR CITIZEN CENTER		
Address	50 3RD ST N	LONG PRAIRIE	56347
County & Site #	TODD	S50053405	
Days Open	FRIDAYS		
Hours	1:00 PM - 4:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes	NOT OPEN ON MARCH 25TH		
	Updated:01/25/2005		

Place	WOODLAND BANK		
Address	COUNTY ROAD 5	LONGVILLE	56655
County & Site #	CASS	S50053529	
Days Open	THURSDAY		
Hours	10:00 AM - 2:00 PM		
Language			
	Walk-In Only		
Notes			
		Updated:01/25/2005	

Place	LUVERNE PUBLIC LIBRARY		
Address	201 W MAIN ST	LUVERNE	56156
County & Site #	ROCK	S50052408	
Days Open	2ND AND 4TH MONDAY		
Hours	1:00 PM - 4:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			
		Updated:01/26/2005	

Place	MAHUBE OFFICE		
Address	118 W MADISON AVE.	MAHNOMEN	56557
County & Site #	MAHNOMEN	S50053515	
Days Open	MONDAY		
Hours	10:00 AM -3:00 PM		
Language			
	By Appointment Only 218-935-5022		
	Handicap Accessible		
Notes			
		Updated:01/25/2005	

Place	MAHTOMEDI SENIOR CENTER		
Address	1520 MAHTOMEDI AVE	MAHTOMEDI	55115
County & Site #	WASHINGTON	S50051705	

<i>Days Open</i>	TUESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	By Appointment Only	651-407-2037	
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	SUMMIT CENTER		
<i>Address</i>	518 S 5TH ST	MANKATO	56001
<i>County & Site #</i>	BLUE EARTH	S50052822	
<i>Days Open</i>	THURSDAY 9:00 AM - 3:00 PM AND 6:00 PM - 8:00 PM;		
<i>Hours</i>	FRIDAY 9:00 AM - 3:00 PM		
<i>Language</i>			
	By Appointment Only	507-345-5262	
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	MANTORVILLE SENIOR CENTER		
<i>Address</i>	321 W 5TH ST	MANTORVILLE	55955
<i>County & Site #</i>	DODGE	S50052642	
<i>Days Open</i>	CALL FOR APPOINTMENT		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only	507-634-4899	
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	MAPLE GROVE LIBRARY		
<i>Address</i>	8351 ELM CREEK BLVD	MAPLE GROVE	55369
<i>County & Site #</i>	HENNEPIN	S50052513	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	12:00 NOON - 4:00 PM		
<i>Language</i>			
	Walk-In Only		

Notes

Updated:01/26/2005

Place WRIGHT COUNTY COMMUNITY ACTION/MAPLE LAKE
 Address 130 W. DIVISION ST. MAPLE LAKE 55358
 County & Site # WRIGHT S50051840
 Days Open BY APPOINTMENT ONLY
 Hours
 Language
 By Appointment Only 320-963-6500
 Handicap Accessible
 Notes

Updated:01/26/2005

Place TOWN & COUNTRY LEISURE CENTER
 Address 304 2ND AVE SE MAPLETON 56065
 County & Site # BLUE EARTH S50052806
 Days Open 1ST & 3RD THURSDAY
 Hours 9:00 AM - 12:00 NOON
 Language
 By Appointment Only 507-524-4550
 Handicap Accessible
 Notes

Updated:01/26/2005

Place GLADSTONE COMMUNITY CENTER
 Address MANTON & FROST MAPLEWOOD 55109
 County & Site # RAMSEY S50052731
 Days Open TUESDAY AND THURSDAY
 Hours 9:00 AM - 12:00 NOON
 Language
 Walk-In Only
 Handicap Accessible
 Notes

Updated:01/26/2005

Place RAMSEY COUNTY LIBRARY

<i>Address</i>	1670 BEAM AVE.	MAPLEWOOD	55109
<i>County & Site #</i>	RAMSEY	S50052723	
<i>Days Open</i>	FRIDAY		
<i>Hours</i>	10:00 AM - 1:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
		Updated:01/26/2005	

<i>Place</i>	MAPLEWOOD COMMUNITY CENTER		
<i>Address</i>	1830 EAST COUNTY RD B	MAPLEWOOD	55109
<i>County & Site #</i>	RAMSEY	S50052701	
<i>Days Open</i>	MONDAY, WEDNESDAY, SATURDAY		
<i>Hours</i>	MONDAY, WEDNESDAY 9:00 AM - 12:00 NOON SATURDAY 9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
		Updated:01/26/2005	

<i>Place</i>	MARSHALL SENIOR CITIZEN CENTER		
<i>Address</i>	107 4TH ST S	MARSHALL	56258
<i>County & Site #</i>	LYON	S50052208	
<i>Days Open</i>	MONDAY		
<i>Hours</i>	1:30 PM - 4:30 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
		Updated:01/26/2005	

<i>Place</i>	WESLEY UNITED METHODIST CHURCH		
<i>Address</i>	202 N 4TH ST	MARSHALL	56258
<i>County & Site #</i>	LYON	S50052204	
<i>Days Open</i>	TUESDAYS AND SATURDAYS		

Hours TUESDAYS 5:00PM - 9:00PM
SATURDAYS 10:00AM - 4:00PM

Language

By Appointment Only 507-350-9228

Handicap Accessible

Notes

Updated:01/25/2005

Place MELROSE CITY CENTER

Address 225 E 1ST N.

MELROSE

56352

County & Site # STEARNS

S50053209

Days Open FRIDAY AFTERNOONS
Hours

Language

By Appointment Only 320-256-4278

Handicap Accessible

Notes

Updated:02/01/2005

Place CHAMBER OF COMMERCE OF MELROSE COMMUNITY CONNECTOR PROGRAM

Address 407 E MAIN STREET

MELROSE

56352

County & Site # STEARNS

S50018731

Days Open FRIDAY
Hours 4:00PM - 7:00PM

Language Spanish

By Appointment Only 320-256-5450

Notes *CON CITA POR TELÉFONO

Updated:02/01/2005

Place MILACA PARK APARTMENTS

Address 240 2ND AVE. SW

MILACA

56353

County & Site # MILLE LACS

S50053707

Days Open THURSDAY, STARTING FEB 24TH
Hours 9:00 AM - 12:00 NOON

Language

By Appointment Only 320-983-6631

Handicap Accessible

<i>Notes</i>		Updated:01/25/2005	
<i>Place</i>	AMERICAN INDIAN CENTER		
<i>Address</i>	1530 E FRANKLIN AVE	MINNEAPOLIS	55404
<i>County & Site #</i>	HENNEPIN	S50052511	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	9:00 AM - 2:00 PM		
<i>Language</i>			
	By Appointment Only 612-879-1970		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		
<i>Place</i>	S W SENIOR CITIZEN CENTER		
<i>Address</i>	3614 BRYANT AVE S	MINNEAPOLIS	55409
<i>County & Site #</i>	HENNEPIN	S50051915	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		
<i>Place</i>	PILLSBURY HOUSE		
<i>Address</i>	3501 CHICAGO AVE S	MINNEAPOLIS	55407
<i>County & Site #</i>	HENNEPIN	S50051911	
<i>Days Open</i>	TUESDAY AND THURSDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		
<i>Place</i>			

MINNEAPOLIS CITY HALL			
<i>Address</i>	350 S 5TH ST. STE 11 USE 4TH STREET ENTRANCE	MINNEAPOLIS	55415
<i>County & Site #</i>	HENNEPIN	S50052509	
<i>Days Open</i>	MONDAY, TUESDAY, WEDNESDAY, THURSDAY, AND FRIDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>	Sign-Language, Spanish, Somali		
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	FOR INTERPRETERS APPOINTMENT IS NEEDED FOR OTHER QUESTIONS CALL 612-673-3004		
	Updated:01/18/2005		

<i>Place</i> EAST LAKE COMMUNITY LIBRARY			
<i>Address</i>	2727 E LAKE ST	MINNEAPOLIS	55406
<i>County & Site #</i>	HENNEPIN	S50052523	
<i>Days Open</i>	MONDAY AND TUESDAY		
<i>Hours</i>	12:00 NOON - 4:00PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
	Updated:01/26/2005		

<i>Place</i> CLUES - MINNEAPOLIS			
<i>Address</i>	2700 E LAKE ST SUITE 1160	MINNEAPOLIS	55406
<i>County & Site #</i>	HENNEPIN	S50010008	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	STARTING AT 6:00 PM		
<i>Language</i>	Spanish		
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	FOR QUESTIONS CALL 612-746-3500		
	Updated:01/25/2005		

<i>Place</i> FAITH EVAN LUTHERAN CHURCH			
<i>Address</i>	3430 E 51ST ST	MINNEAPOLIS	55417
<i>County & Site #</i>	HENNEPIN	S50051903	

Days Open WEDNESDAY
Hours 8:30 AM - 12:00 NOON

Language

Walk-In Only

Notes

Updated:01/26/2005

Place NORTHEAST NEIGHBORHOOD HOUSE
Address 1700 NE 2ND ST

MINNEAPOLIS

55418

County & Site # HENNEPIN

S50051856

Days Open TUESDAYS AND THURSDAYS
Hours 1:00 PM - 3:30 PM

Language

By Appointment Only 612-781-6011

Handicap Accessible

Notes

Updated:01/26/2005

Place WALKER LIBRARY
Address 2880 HENNEPIN AVENUE S

MINNEAPOLIS

55408

County & Site # HENNEPIN

S50010085

Days Open SATURDAY
Hours STARTING AT 10:30 AM

Language

Walk-In Only

Handicap Accessible

Notes ANY QUESTIONS CALL 612-630-6650

Updated:01/25/2005

Place CHRYSALIS
Address 4432 CHICAGO AVE. S.

MINNEAPOLIS

55407

County & Site # HENNEPIN

S50010301

Days Open TUESDAY AND THURSDAY
Hours STARTING AT 6:00PM

Language Sign-Language

Walk-In Only

Notes

TAXPAYERS NEEDING SIGN LANGUAGE ASSISTANCE MUST REGISTER IN ADVANCE
BY CALLING 612-871-0118, EXT 1 OR 612-824 -2780 (TTY). SPACES ARE
LIMITED.

Updated:01/26/2005

<i>Place</i>	SABATHANI COMMUNITY CENTER		
<i>Address</i>	310 E 38TH STREET	MINNEAPOLIS	55409
<i>County & Site #</i>	HENNEPIN	S50010147	
<i>Days Open</i>	SATURDAY		
<i>Hours</i>	8:00 AM - 10:30 PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>	ANY QUESTIONS CALL 612-821-2302		

Updated:01/25/2005

<i>Place</i>	BRIAN COYLE COMM CTR		
<i>Address</i>	420 15TH AVENUE SOUTH	MINNEAPOLIS	55454
<i>County & Site #</i>	HENNEPIN	S50010244	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	STARTING AT 6:00 PM		
<i>Language</i>	Oromo, Somali		
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	QUESTIONS 612-338-5282		

Updated:01/25/2005

<i>Place</i>	CAMDEN COMMUNITY CENTER		
<i>Address</i>	1201 - 37TH AVE. N.	MINNEAPOLIS	55412
<i>County & Site #</i>	HENNEPIN	S50052515	
<i>Days Open</i>	MONDAY & WEDNESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	By Appointment Only 612-529-9231		
	Handicap Accessible		
<i>Notes</i>			

Updated:01/26/2005

<i>Place</i>	AAHWM (ASSOC. FOR ADVANCEMENT OF HMONG WOMEN)		
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<i>Address</i>	4403 EAST LAKE ST.	MINNEAPOLIS	55406
<i>County & Site #</i>	HENNEPIN	S50010370	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	1:00 PM - 4:30 PM		
<i>Language</i>	Hmong		
	Walk-In Only		
<i>Notes</i>	QUESTIONS CALL 612-724-3066		
		Updated:01/24/2005	

<i>Place</i>	RIVERSIDE PLAZA - CHASE BUILDING - COMMUNITY ROOM 2ND FLOOR		
<i>Address</i>	1530 SOUTH 6TH STREET	MINNEAPOLIS	55454
<i>County & Site #</i>	HENNEPIN	S50010365	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	5:00 PM - 8:00 PM		
<i>Language</i>	Chinese, Somali, Vietnamese		
	Walk-In Only		
<i>Notes</i>	STARTS FEB 3RD		
		Updated:01/19/2005	

<i>Place</i>	SOUTHEAST ASIAN COMM. COUNCIL (SEACC)		
<i>Address</i>	555 GIRARD TERRACE NORTH SUITE 110	MINNEAPOLIS	55405
<i>County & Site #</i>	HENNEPIN	S50010372	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	10:00 AM - 1:00 PM		
<i>Language</i>	Hmong		
	Walk-In Only		
<i>Notes</i>	FOR MORE INFORMATION CALL 612-377-0778		
		Updated:01/24/2005	

<i>Place</i>	MINNEAPOLIS URBAN LEAGUE - NORTH		
<i>Address</i>	2100 PLYMOUTH AVE, N	MINNEAPOLIS	55411
<i>County & Site #</i>	HENNEPIN	S50010360	
<i>Days Open</i>	THURSDAY AND SATURDAY		
<i>Hours</i>	THURSDAY STARTING AT 6:00PM SATURDAY STARTING AT 9:00AM		
<i>Language</i>			
	Walk-In Only		

Notes QUESTIONS CALL 612-302-3100

Updated:01/25/2005

Place	EDWARD F WAITE HOUSE		
Address	2529 13TH AVE S	MINNEAPOLIS	55404
County & Site #	HENNEPIN	S50051909	
Days Open	TUESDAY		
Hours	9:00 AM - 12:00 NOON		
Language			
	Walk-In Only		
Notes			
	Updated:01/26/2005		

Place	EL CENTRO LATINO SAGRADO CORAZÓN DE JESÚS		
Address	3800 PLEASANT AVENUE SOUTH	MINNEAPOLIS	55409
County & Site #	HENNEPIN	S50010226	
Days Open	SATURDAY		
Hours	9:00 AM - 1:00 PM		
Language	Spanish		
	Walk-In Only		
Notes	SERVICES START MARCH 5TH		
	Updated:01/28/2005		

Place	HENNEPIN COUNTY GOVT CENTER		
Address	300 S 6TH STREET LEVEL "A"	MINNEAPOLIS	55415
County & Site #	HENNEPIN	S50030378	
Days Open	MONDAY, TUESDAY, WEDNESDAY, THURSDAY, AND FRIDAY		
Hours	9:00 AM - 1:00 PM		
Language			
	Walk-In Only		
Notes			
	Updated:01/26/2005		

Place	LAO ASSISTANCE CENTER OF MINNESOTA		
Address	503 IRVING AVE NORTH, SUITE 100A	MINNEAPOLIS	55405
County & Site #	HENNEPIN	S50013589	
Days Open	FRIDAY		
Hours	10:00 AM - 2:00 PM		

Language Laotian

Walk-In Only

Notes

Updated:01/24/2005

Place US FEDERAL CREDIT UNION

Address 2535 27TH AVE S

MINNEAPOLIS

55406

County & Site # HENNEPIN

S50014660

Days Open TUESDAYS AND THURSDAYS

Hours 1:00PM - 5:00PM

Language

By Appointment Only 952-736-5000

Notes

Updated:01/25/2005

Place FAITH IN THE CITY

Address 2414 PARK AVE SOUTH

MINNEAPOLIS

55404

County & Site # HENNEPIN

Days Open TUESDAY

Hours STARTING AT 5:30 PM TO 8:00PM

Language

Walk-In Only

Notes FOR MORE INFORMATION CALL 612-879-5330

Updated:01/25/2005

Place VOLUNTEER OF AMERICA ALTERNATIVE SCHOOL

Address 924 19TH AVE SOUTH

MINNEAPOLIS

55404

County & Site # HENNEPIN

S50015633

Days Open MONDAYS 4:00PM - 8:00PM

THURSDAYS 3:00PM - 7:00PM

Hours

Language Oromo, Somali

Walk-In Only

Notes OPENS FEB 7TH

Updated:02/15/2005

Place MUSLIM AMERICAN SOCIETY

MINNESOTA CHAPTER		
Address 315 E LAKE STREET	MINNEAPOLIS	55408
County & Site # HENNEPIN	S50015508	
Days Open FRIDAYS (EVERY OTHER FRIDAY, STARTING ON FEB 4TH)		
Hours 2:00PM - 5:00PM		
Language Somali		
Walk-In Only		
Notes	Updated:01/19/2005	

Place SEWARD TOWER EAST (A COMMON BOND FAMILY AND SENIOR COMMUNITY		
Address 2910 EAST FRANKLIN AVENUE	MINNEAPOLIS	55406
County & Site # HENNEPIN		
Days Open MONDAY		
Hours 5:00PM - 8:00PM		
Language Amharic, Oromo, Somali, Vietnamese		
Notes STARTING FEB 7TH	Updated:01/19/2005	

Place OAK PARK NEIGHBORHOOD CENTER		
Address 1701 OAK PARK AVE	MINNEAPOLIS	55411
County & Site # HENNEPIN		
Days Open SATURDAYS		
Hours 10:00AM - 1:00PM		
Language		
By Appointment Only 612-377-7000		
Handicap Accessible		
Notes	Updated:01/26/2005	

Place LUTHERAN CHURCH OF GOOD SHEPARD		
Address 48TH & FRANCE AVE S	MINNEAPOLIS	55410
County & Site # HENNEPIN	S50051907	
Days Open MONDAY AND TUESDAY		
Hours 9:00 AM - 12:00 NOON		
Language		
Walk-In Only		

Handicap Accessible

Notes

Updated:01/26/2005

Place MINNETONKA COMMUNITY CENTER

Address 14600 MINNETONKA BLVD

MINNETONKA

55345

County & Site # HENNEPIN

S50051834

Days Open WEDNESDAY

Hours 8:30 AM - 12:00 NOON

Language

By Appointment Only 952-939-8393

Handicap Accessible

Notes

Updated:01/26/2005

Place MONTEVIDEO COMMUNITY CENTER

Address 550 SOUTH 1ST ST

MONTEVIDEO

56265

County & Site # CHIPPEWA

S50051864

Days Open APPOINTMENT ONLY

Hours

Language

By Appointment Only 320-269-9375

Handicap Accessible

Notes

Updated:01/26/2005

Place MONTICELLO SENIOR CENTER

Address 505 WALNUT ST

MONTICELLO

55362

County & Site # WRIGHT

S50051822

Days Open TUESDAY

Hours 9:00 AM - 1:00 PM

Language

By Appointment Only 763-295-2000

Handicap Accessible

Notes

Updated:01/26/2005

<i>Place</i>	COMMUNITY BLDG-NEXT TO LIBRARY		
<i>Address</i>	205 ELM ST.	MOOSE LAKE	55767
<i>County & Site #</i>	CARLTON	S50054209	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	12:00 NOON - 4:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:02/25/2005		

<i>Place</i>	SEVEN COUNTY SENIOR FEDERATION		
<i>Address</i>	47 PARK AVE	MORA	55051
<i>County & Site #</i>	KANABEC	S50053701	
<i>Days Open</i>	TUESDAY, STARTING FEBRUARY 22ND		
<i>Hours</i>	9:00 AM - 3:00 PM		
<i>Language</i>			
	By Appointment Only 320-679-4700		
	Handicap Accessible		
<i>Notes</i>	Updated:01/25/2005		

<i>Place</i>	MORRIS SENIOR CENTER		
<i>Address</i>	603 OREGON AVE.	MORRIS	56267
<i>County & Site #</i>	STEVENS	S50053901	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	10:00AM - 2:30PM		
<i>Language</i>			
	By Appointment Only 320-589-2951		
	Handicap Accessible		
<i>Notes</i>	Updated:02/01/2005		

<i>Place</i>	MORRIS HEAD START AND MACCC		
<i>Address</i>	1001 1/2 SCOTTS AVENUE	MORRIS	56267
<i>County & Site #</i>	STEVENS		

<i>Days Open</i>	TUESDAYS AND SATURDAYS		
<i>Hours</i>	TUESDAYS 5:00PM - 9:00PM SATURDAYS 8:00AM - 12:00 NOON		
<i>Language</i>	By Appointment Only 1-800-492-4805 OR 1-218-685-4486 EXT 100		
<i>Notes</i>	Updated:01/25/2005		

<i>Place</i>	GILLESPIE CENTER		
<i>Address</i>	2590 COMMERCE BLVD.	MOUND	55364
<i>County & Site #</i>	HENNEPIN	S50051856	
<i>Days Open</i>	FRIDAY		
<i>Hours</i>	8:30 AM - 3:00 PM		
<i>Language</i>	By Appointment Only 952-472-6501		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		

<i>Place</i>	FAMILY SERVICE CENTER		
<i>Address</i>	400 - 10TH ST NW	NEW BRIGHTON	55112
<i>County & Site #</i>	RAMSEY	S50052745	
<i>Days Open</i>	MONDAY		
<i>Hours</i>	9:00 AM - 1:00 PM		
<i>Language</i>	By Appointment Only 651-638-2130		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		

<i>Place</i>	CITY HALL SENIOR CENTER		
<i>Address</i>	118 CENTRAL AVE N	NEW PRAGUE	56071
<i>County & Site #</i>	SCOTT	S50051826	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	8:30 AM - 11:00 AM		
<i>Language</i>	Walk-In Only		

Handicap Accessible			
Notes		Updated:01/26/2005	

Place	NEW ULM SENIOR CENTER		
Address	600 GERMAN ST	NEW ULM	56073
County & Site #	BROWN		
Days Open	WEDNESDAY		
Hours	10:00AM - 3:00PM		
Language			
	Walk-In Only		
Notes		Updated:01/26/2005	

Place	COMMUNITY ACTION COUNCIL		
Address	109 WALKER AVE. S	NEW YORK MILLS	56567
County & Site #	OTTER TAIL	S50054419	
Days Open	MONDAY - FRIDAY		
Hours			
Language			
	By Appointment Only 218-385-2900		
	Handicap Accessible		
Notes		Updated:02/01/2005	

Place	PUBLIC LIBRARY		
Address	30 MAIN AVE N	NEW YORK MILLS	56567
County & Site #	OTTER TAIL	S50054421	
Days Open	TUESDAY AND FRIDAY		
Hours	1:00 PM - 4:00 PM		
Language			
	Walk-In Only		
Notes		Updated:01/31/2005	

Place	NORTH BRANCH SENIOR CENTER		
Address	38790 6TH AVE.	NORTH BRANCH	55056

<i>County & Site #</i>	CHISAGO	S50053711	
<i>Days Open</i>	FRIDAY STARTING FEB 18TH		
<i>Hours</i>	9:00 AM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 651-674-8658		
	Handicap Accessible		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	NORTHFIELD SENIOR CENTER		
<i>Address</i>	1651 JEFFERSON PKWY	NORTHFIELD	55057
<i>County & Site #</i>	RICE	S50052301	
<i>Days Open</i>	MONDAY - FRIDAY.		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	By Appointment Only 507-664-3700		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	US FEDERAL CREDIT UNION		
<i>Address</i>	2010 JEFFERSON RD SUITE D HERITAGE SQUARE COMPLEX	NORTHFIELD	55057
<i>County & Site #</i>	RICE		
<i>Days Open</i>	THURSDAYS		
<i>Hours</i>	1:00PM - 5:00PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	LAKESIDE APARTMENTS		
<i>Address</i>	301 NW FIRST STREET	ORTONVILLE	56278
<i>County & Site #</i>	BIG STONE	S50051808	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	8:30 AM - 11:30 AM		
<i>Language</i>			

Walk-In Only	
Handicap Accessible	
Notes	Updated:01/26/2005

Place	OUTING TOWN HALL		
Address	509 STATE HWY 6 NE	OUTING	56662
County & Site #	CASS	S50053519	
Days Open	SATURDAY		
Hours	9:00 AM - 1:00 PM		
Language			
By Appointment Only	218-763-3966		
Notes			Updated:01/25/2005

Place	SENIOR PLACE		
Address	500 DUNNELL DR.	OWATONNA	55060
County & Site #	STEELE	S50051101	
Days Open	TUESDAY AND THURSDAY		
Hours	8:00 AM - 3:00 PM		
Language			
By Appointment Only	507-444-4280		
Handicap Accessible			
Notes			Updated:01/26/2005

Place	CENTRO CAMPESINO		
Address	104 1/2 BROADWAY ST W	OWATONNA	55060
County & Site #	STEELE	S50019370	
Days Open	FRIDAYS		
Hours	10:00AM - 5:00PM		
Language	Spanish		
Walk-In Only			
Notes	OPENS 1/28/05		Updated:01/24/2005

Place			
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PARK RAPIDS LIBRARY			
<i>Address</i>	210 W. 1ST STREET W	PARK RAPIDS	56470
<i>County & Site #</i>	HUBBARD	S50053509	
<i>Days Open</i>	WEDNESDAY & SATURDAY		
<i>Hours</i>	WEDNESDAY 3:00 PM - 7:00 PM AND SATURDAY 10:45 AM - 2:00 PM		
<i>Language</i>			
	By Appointment Only 218-732-7204		
	Handicap Accessible		
<i>Notes</i>	Updated:01/25/2005		

MAHUBE COMMUNITY COUNCIL			
<i>Place</i>	129 CENTRAL AVE N	PARK RAPIDS	56470
<i>Address</i>			
<i>County & Site #</i>	HUBBARD	S50053531	
<i>Days Open</i>	MONDAY AND WEDNESDAY		
<i>Hours</i>	9:30 AM - 2:30 PM		
<i>Language</i>			
	By Appointment Only 218-732-7204		
<i>Notes</i>	Updated:01/25/2005		

SENIOR COMMUNITY CENTER			
<i>Place</i>	500 DOUGLAS ST.	PARKERS PRAIRIE	56361
<i>Address</i>			
<i>County & Site #</i>	DOUGLAS	S50054411	
<i>Days Open</i>	APPOINTMENT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 218-338-2117		
<i>Notes</i>	Updated:01/31/2005		

PAYNESVILLE SENIOR BUILDING			
<i>Place</i>	1105 W. MAIN ST.	PAYNESVILLE	56362
<i>Address</i>			
<i>County & Site #</i>	STEARNS	S50053213	
<i>Days Open</i>	MONDAY AND TUESDAY		
<i>Hours</i>	MONDAY 8:00 AM - 12:00 NOON TUESDAY 12:00 PM - 4:00 PM		
<i>Language</i>			

By Appointment Only 320-243-3177 OR
320-243-4799

Handicap Accessible

Notes STARTING FEB 14TH

Updated:02/01/2005

Place PUBLIC LIBRARY
Address 25 W MILL STREET PELICAN RAPIDS 56572
County & Site # OTTER TAIL S50054409
Days Open WEDNESDAY
Hours 2:00 PM - 6:00 PM
Language

By Appointment Only 218-863-7055

Notes

Updated:01/31/2005

Place PERHAM PUBLIC LIBRARY
Address 225 2ND AVE. NE PERHAM 56573
County & Site # OTTER TAIL S50054423
Days Open THURSDAY
Hours 1:00 PM - 4:00 PM
Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/31/2005

Place PILLAGER FAMILY CENTER
Address 4536 -112TH ST SW PILLAGER 56473
County & Site # CASS S50053511
Days Open FRIDAY
Hours 12:00 NOON - 4:00 PM
Language

Walk-In Only

Handicap Accessible

Notes APPT PREFERRED 218-746-4009

Updated:01/25/2005

<i>Place</i>	PINE CITY NUTRITION CENTER		
<i>Address</i>	670 5TH ST.	PINE CITY	55063
<i>County & Site #</i>	PINE	S50053715	
<i>Days Open</i>	SATURDAYS STARTING FEB 19TH		
<i>Hours</i>	10:00 AM -5:00 PM		
<i>Language</i>			
	By Appointment Only 320-629-3024		
<i>Notes</i>	Updated:01/25/2005		

<i>Place</i>	SENIOR CENTER CITY HALL/PINE ISLAND		
<i>Address</i>	250 S MAIN ST	PINE ISLAND	55963
<i>County & Site #</i>	GOODHUE	S50052626	
<i>Days Open</i>	CALL BETWEEN 10:00 AM - 1:00 PM FOR APPT.		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-356-4262		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		

<i>Place</i>	PINE RIVER/BACKUS FAMILY CTR.		
<i>Address</i>	BARCLAY AVE.	PINE RIVER	56474
<i>County & Site #</i>	CASS	S50053513	
<i>Days Open</i>	MONDAY AND SATURDAY		
<i>Hours</i>	MONDAY 4:00 PM - 8:00 PM SATURDAY 9:00 PM - 1:00 PM		
<i>Language</i>			
	By Appointment Only 218-587-4292		
	Handicap Accessible		
<i>Notes</i>	Updated:01/25/2005		

<i>Place</i>	BASEMENT COMMUNITY ROOM		
<i>Address</i>	COURT HOUSE ANNEX	PIPESTONE	56164
<i>County & Site #</i>	PIPESTONE	S50052412	

Days Open 1ST WEDNESDAY OF THE MONTH
Hours 1:00 PM - 4:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place PLAINVIEW SENIOR HOUSING
Address 905 2ND AVE. NW PLAINVIEW 55964
County & Site # WABASHA S50052632
Days Open BY APPOINTMENT ONLY
Hours
Language
 By Appointment Only 507-534-3672
 Handicap Accessible
Notes

Updated:01/26/2005

Place PLYMOUTH CREEK CENTER
Address 14800 34TH AVE N PLYMOUTH 55447
County & Site # HENNEPIN S50051814
Days Open WEDNESDAY
Hours 9:00 AM - 3:00 PM
Language
 By Appointment Only 763-509-5280
 Handicap Accessible
Notes

Updated:01/26/2005

Place PRINCETON LIBRARY
Address 100 4TH AVE S PRINCETON 55371
County & Site # MILLE LACS S50053705
Days Open THURSDAY, STARTING FEB 17TH
Hours 1:00 PM -6:00 PM
Language

By Appointment Only 763-389-3997

Handicap Accessible

Notes

Updated:03/08/2005

Place PROCTOR AREA COMMUNITY CENTER

Address 220 4TH ST.

PROCTOR

55810

County & Site # SAINT LOUIS

S50054207

Days Open WEDNESDAY

Hours 9:00 AM - 12:00 NOON

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/25/2005

Place JORDON TOWERS

Address 433 W. 4TH ST.

RED WING

55066

County & Site # GOODHUE

S50051416

Days Open MONDAY AND TUESDAY

Hours 9:00 AM - 12:00 NOON

Language

By Appointment Only 651-385-8874

Handicap Accessible

Notes

Updated:01/26/2005

Place RED WING PUB. LIBRARY

Address 225 EAST AVE.

RED WING

55066

County & Site # GOODHUE

S50051414

Days Open FRIDAY AND SATURDAY

Hours FRIDAY 4:00PM - 6:00 PM

SATURDAY 10:00 AM - 4:00 PM

Language

By Appointment Only 651-385-3673

Handicap Accessible

Notes

Updated:01/26/2005

<i>Place</i>	RED WING SENIOR CTR.		
<i>Address</i>	1407 W 4TH ST	RED WING	55066
<i>County & Site #</i>	GOODHUE	S50051404	
<i>Days Open</i>	TUESDAY AND FRIDAY		
<i>Hours</i>	TUESDAY 1:00 PM - 4:00 PM FRIDAY 9:00 AM - 12:00 NOON;		
<i>Language</i>			
	By Appointment Only 651-267-3599		
<i>Notes</i>			

Updated:01/26/2005

<i>Place</i>	REMER TOWN HALL		
<i>Address</i>		REMER	58672
<i>County & Site #</i>	CASS	S50053521	
<i>Days Open</i>	TUESDAYS, FEB 1ST AND 8TH THEN ON MONDAYS STARTING FEB 28TH		
<i>Hours</i>	9:00AM - 1:00PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			

Updated:01/25/2005

<i>Place</i>	RICHFIELD COMMUNITY CENTER		
<i>Address</i>	7000 NICOLLET AVE	RICHFIELD	55423
<i>County & Site #</i>	HENNEPIN	S50051919	
<i>Days Open</i>	TUESDAY AND FRIDAY		
<i>Hours</i>	8:30 AM - 11:00 AM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			

Updated:01/26/2005

<i>Place</i>	ROBBINSDALE CITY HALL		
<i>Address</i>	4100 LAKEVIEW AVE.	ROBBINSDALE	55422

<i>County & Site #</i>	HENNEPIN	S50052529	
<i>Days Open</i>	MONDAYS AND WEDNESDAYS		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	SENIOR CITIZEN SERVICES/ROCHESTER		
<i>Address</i>	121 N. BROADWAY	ROCHESTER	55906
<i>County & Site #</i>	OLMSTED	S50052636	
<i>Days Open</i>	TUESDAY AND THURSDAY		
<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 507-287-1404		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	SALVATION ARMY		
<i>Address</i>	120 1ST STREET NE	ROCHESTER	55906
<i>County & Site #</i>	OLMSTED	S50052644	
<i>Days Open</i>	APPT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-288-3663		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	ROCKFORD PUBLIC LIBRARY		
<i>Address</i>	8220 CEDAR ST	ROCKFORD	55373
<i>County & Site #</i>	WRIGHT	S50051820	
<i>Days Open</i>	FIRST AND THIRD THURSDAY		
<i>Hours</i>			
<i>Language</i>			

By Appointment Only 763-477-4216

Handicap Accessible

Notes

Updated:01/26/2005

Place ROSEMOUNT COMMUNITY CENTER

Address 13885 ROBERT TRAIL

ROSEMOUNT

55068

County & Site # DAKOTA

S50051616

Days Open MONDAY

Hours 9:00 AM - 1:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place ROSEVILLE CIVIC CENTER

Address 2660 CIVIC CENTER DRIVE

ROSEVILLE

55113

County & Site # RAMSEY

S50052753

Days Open TUESDAY, WEDNESDAY, AND THURSDAY.

Hours 9:00 AM - 12:00 NOON

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place HUSEBY AGENCY

Address 307 2ND AVE S

SACRED HEART

56285

County & Site # RENVILLE

Days Open APPT ONLY

Hours

Language

By Appointment Only 320-329-3749

Notes

Updated:01/26/2005

<i>Place</i>	JEWISH COMMUNITY CENTER		
<i>Address</i>	4330 CEDAR LAKE RD S	SAINT LOUIS PARK	55416
<i>County & Site #</i>	HENNEPIN	S50052505	
<i>Days Open</i>	APPOINTMENT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 612-377-8330		
	Handicap Accessible		
<i>Notes</i>			
	Updated:01/26/2005		

<i>Place</i>	SIMMS COMMUNITY LIBRARY		
<i>Address</i>	403 CENTRAL AVE E	SAINT MICHAEL	55376
<i>County & Site #</i>	WRIGHT	S50051848	
<i>Days Open</i>	SECOND AND FOURTH THURSDAY		
<i>Hours</i>	2:00 PM - 4:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	SIGNUP SHEET		
	Updated:01/26/2005		

<i>Place</i>	AMERICAN LEGION - SENIOR DINING		
<i>Address</i>	128 MAIN STREET	SAUK CENTRE	56378
<i>County & Site #</i>	STEARNS	S50053211	
<i>Days Open</i>	SECOND AND FOURTH TUESDAY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 320-352-3014		
	Handicap Accessible		
<i>Notes</i>			
	Updated:02/01/2005		

<i>Place</i>	SAUK RAPIDS/RICE MIDDLE SCHOOL (USE DOOR NUMBER 4)		
<i>Address</i>	901 FIRST STREET SOUTH	SAUK RAPIDS	56379
<i>County & Site #</i>	STEARNS		

<i>Days Open</i>	WEDNESDAYS		
<i>Hours</i>	5:00PM - 8:00PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	SCANDIA SENIOR CENTER		
<i>Address</i>	14727 209TH ST N	SCANDIA	55073
<i>County & Site #</i>	WASHINGTON	S50051709	
<i>Days Open</i>	THURSDAY		
<i>Hours</i>	9:00 AM - 2:00 PM		
<i>Language</i>			
	By Appointment Only 651/433-2274		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	SHAKOPEE COMMUNITY CENTER		
<i>Address</i>	1255 FULLER ST S	SHAKOPEE	55379
<i>County & Site #</i>	SCOTT	S50051606	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	By Appointment Only SIGNUP SHEET AT COMMUNITY CENTER		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	SHOREVIEW COMMUNITY CENTER		
<i>Address</i>	4600 VICTORIA ST N	SHOREVIEW	55126
<i>County & Site #</i>	RAMSEY	S50052727	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	By Appointment Only 651-490-4750		

Handicap Accessible

Notes

Updated:01/26/2005

Place SOUTH SHORE SENIOR CENTER
Address 5735 COUNTRY CLUB RD SHOREWOOD 55331
County & Site # HENNEPIN S50051832
Days Open FIRST AND THIRD TUESDAY OF THE MONTH
Hours
Language
 By Appointment Only 952-474-7635
 Handicap Accessible
 Notes

Updated:01/26/2005

Place SR. COMMUNITY CTR-COMMUNITY RM
Address 2451 BROADWAY AVE. SLAYTON 56172
County & Site # MURRAY S50052404
Days Open 2ND WEDNESDAY OF THE MONTH
Hours 9:00 AM - 1:00 PM
Language
 Walk-In Only
 Handicap Accessible
 Notes

Updated:01/26/2005

Place SOUTH ST PAUL SENIOR CENTER
Address 100 7TH AVE N SOUTH ST PAUL 55075
County & Site # DAKOTA S50051711
Days Open MONDAY AND WEDNESDAY
Hours 9:00 AM - 12:00 NOON
Language
 Walk-In Only
 Handicap Accessible
 Notes

Updated:01/26/2005

Place	SPRING LAKE PARK COMMUNITY CENTER		
Address	1301 81ST AVE NE (81ST & HWY 65)	SPRING LAKE PARK	55432
County & Site #	ANOKA		
Days Open	WEDNESDAYS		
Hours	9:00AM - 12:00 NOON		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			
Updated:03/21/2005			

Place	WHITNEY SENIOR CENTER		
Address	1527 NORTHWAY DR.	ST CLOUD	56303
County & Site #	STEARNS	S50053217	
Days Open	WEDNESDAY, AND THURSDAY		
Hours	8:30 AM - 1:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes	SIGN UP SHEET AT CENTER		
Updated:02/01/2005			

Place	SOUTHSIDE BOYS AND GIRLS CLUB		
Address	1205 6TH AVE S	ST CLOUD	56301
County & Site #	STEARNS	S50053221	
Days Open	MONDAY		
Hours	8:30 AM TO 11:30		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes	CLOSED ON FEBRUARY 21ST		
Updated:02/01/2005			

Place	ST CLOUD SALVATION ARMY		
Address	223 E ST GERMAIN	ST CLOUD	56304
County & Site #	STEARNS	S50010141	
Days Open	SATURDAYS		

Hours 9:00 AM - 12:00 NOON
Language
Walk-In Only
Handicap Accessible
Notes CLOSED 3/26/05
Updated:01/25/2005

Place TRI CAP
Address 700 WEST ST GERMAIN STREET ST CLOUD 56301
County & Site # STEARNS S50014336
Days Open TUESDAYS
Hours 1:00PM - 3:00PM AND 5:00PM - 8:00PM
Language
Walk-In Only
Notes SOMALI INTERPRETER AVAILABLE ON FEB 1ST, MARCH 1ST, AND APRIL 15TH
Updated:01/25/2005

Place LENOX COMMUNITY CENTER
Address 6715 MINNETONKA BLVD. ST LOUIS PARK 55426
County & Site # HENNEPIN S50051917
Days Open WEDNESDAY AND THURSDAY
Hours 9:00 AM - 11:00 AM
Language
Walk-In Only
Handicap Accessible
Notes
Updated:01/26/2005

Place NORTH END MULTI-SERVICE CENTER
Address 1021 MARION ST ST PAUL 55117
County & Site # RAMSEY S50052725
Days Open WEDNESDAY
Hours 9:00 AM - 1:00 PM
Language
Walk-In Only
Handicap Accessible

Notes

Updated:01/26/2005

Place	LYNGBLOMSTEN SENIOR CENTER		
Address	1415 ALMOND AVE	ST PAUL	55108
County & Site #	RAMSEY	S50052711	
Days Open	TUESDAY AND THURSDAY		
Hours	9:00 AM - 1:00 PM		
Language			
	By Appointment Only 651-632-5330		
	Handicap Accessible		
Notes			
	Updated:01/26/2005		

Place	JEHOVAH LUTHERAN CHURCH		
Address	1566 THOMAS AVE	ST PAUL	55104
County & Site #	RAMSEY	S50052733	
Days Open	MONDAY AND FRIDAY		
Hours	10:00 AM - 2:00 PM		
Language			
	Walk-In Only		
Notes			
	Updated:01/26/2005		

Place	MERRICK COMMUNITY CENTER		
Address	715 EDGERTON ST	ST PAUL	55101
County & Site #	RAMSEY	S50052715	
Days Open	APPOINTMENT ONLY		
Hours			
Language			
	By Appointment Only 651/771-9339		
	Handicap Accessible		
Notes	THIS IS A TCE SITE		
	Updated:01/26/2005		

Place	SUN RAY LIBRARY		
Address	2105 WILSON AVE	ST PAUL	55119

<i>County & Site #</i>	RAMSEY	S50052743	
<i>Days Open</i>	MONDAY, TUESDAY, FRIDAY		
<i>Hours</i>	MONDAY 6:00 PM - 8:00 PM TUESDAY & FRIDAY 11:00 AM - 3:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		

<i>Place</i>	HILLCREST RECREATION CENTER		
<i>Address</i>	1978 FORD PKWY	ST PAUL	55116
<i>County & Site #</i>	RAMSEY	S50052737	
<i>Days Open</i>	MONDAY, WEDNESDAY AND THURSDAY		
<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>	Updated:01/26/2005		

<i>Place</i>	NEIGHBORHOOD DEVELOPMENT ALLIANCE		
<i>Address</i>	481 S WABASHA	ST PAUL	55107
<i>County & Site #</i>	RAMSEY	S50017407	
<i>Days Open</i>	MONDAY		
<i>Hours</i>	STARTING AT 6:00 PM		
<i>Language</i>	Spanish		
	By Appointment Only 651-292-0131		
	Handicap Accessible		
<i>Notes</i>	CLOSED ON FEBRUARY 21ST Updated:01/24/2005		

<i>Place</i>	MERRIAM PARK COMMUNITY CTR.		
<i>Address</i>	2000 ST. ANTHONY AVE.	ST PAUL	55104
<i>County & Site #</i>	RAMSEY	S50052735	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	10:00 AM - 2:00 PM		

Language

By Appointment Only 651-645-7424

Handicap Accessible

Notes

Updated:01/26/2005

Place WEST 7TH COMMUNITY CENTER*Address* 265 ONEIDA ST.

ST PAUL

55102

County & Site # RAMSEY

S50010316

Days Open MONDAYS AND WEDNESDAYS.*Hours* 8:30 AM - 12:00 NOON*Language*

By Appointment Only 651-298-5493

Handicap Accessible

Notes

Updated:01/26/2005

Place METROPOLITAN SENIOR FEDERATION*Address* 1883 UNIVERSITY AVE

ST PAUL

55104

County & Site # RAMSEY

S50052705

Days Open MONDAYS*Hours* 10:00 AM - 2:00 PM*Language*

By Appointment Only 651- 645-0261

Handicap Accessible

Notes

Updated:01/26/2005

Place CLUES ST PAUL*Address* 797 E SEVENTH ST

ST PAUL

55106

County & Site # RAMSEY

S50010193

Days Open WEDNESDAY*Hours* STARTING AT 6:00 PM*Language* Spanish

Walk-In Only

Notes FOR QUESTIONS CALL 651-379-4200

Updated:01/25/2005

<i>Place</i>	HALLIE Q. BROWN COMMUNITY CENTER		
<i>Address</i>	270 N KENT	ST PAUL	55102
<i>County & Site #</i>	RAMSEY	S50010038	
<i>Days Open</i>	THURSDAY AND SATURDAY		
<i>Hours</i>	THURSDAY STARTING AT 6:00 PM SATURDAY STARTING AT 9:30 AM		
<i>Language</i>	Walk-In Only		
<i>Notes</i>	QUESTIONS CALL 651-224-4601		
	Updated:01/25/2005		

<i>Place</i>	RAMSEY ACTION PROGRAM - BIGELOW BLDG		
<i>Address</i>	450 N. SYNDICATE ST.	ST PAUL	55104
<i>County & Site #</i>	RAMSEY	S50010361	
<i>Days Open</i>	MONDAY AND WEDNESDAY		
<i>Hours</i>	STARTING AT 6:00 PM		
<i>Language</i>	Walk-In Only		
<i>Notes</i>	QUESTIONS CALL 651-645-6445 - CLOSED ON FEBRUARY 21ST		
	Updated:01/24/2005		

<i>Place</i>	ST PAUL PUBLIC LIBRARY		
<i>Address</i>	90 W 4TH ST.	ST PAUL	55102
<i>County & Site #</i>	RAMSEY	S50052717	
<i>Days Open</i>	TUESDAY AND FRIDAY		
<i>Hours</i>	9:30 AM - 1:00 PM		
<i>Language</i>	Walk-In Only		
<i>Notes</i>	LOCATION IS 4TH FLOOR - MEETING ROOM		
	Updated:01/26/2005		

<i>Place</i>	ACCOUNTABILITY MINNESOTA		
<i>Address</i>	2300 MYRTLE AVENUE, SUITE 180	ST PAUL	55114
<i>County & Site #</i>	RAMSEY	S50010229	
<i>Days Open</i>	TUESDAY, WEDNESDAY, THURSDAY, AND SATURDAY		
<i>Hours</i>	TUESDAY, WEDNESDAY AND THURSDAY STARTING AT 6:00 PM SATURDAY STARTING AT 9:00 AM		

<i>Language</i>			
Walk-In Only			
<i>Notes</i>	ANY QUESTIONS CALL 651-287-0187		Updated:03/25/2005
<hr/>			
<i>Place</i>	OUR LADY OF GUADALUPE CHURCH		
<i>Address</i>	401 CONCORD	ST PAUL	55107
<i>County & Site #</i>	RAMSEY	S50010116	
<i>Days Open</i>	TUESDAY		
<i>Hours</i>	3:30PM - 7:00PM		
<i>Language</i>	Spanish		
Walk-In Only			
<i>Notes</i>	SERVICES START FEB 8TH		Updated:01/19/2005
<hr/>			
<i>Place</i>	HAYDEN HEIGHTS LIBRARY		
<i>Address</i>	1456 WHITE BEAR AVE N	ST PAUL	55106
<i>County & Site #</i>	RAMSEY	S50052751	
<i>Days Open</i>	TUESDAYS		
<i>Hours</i>	12:00 NOON - 4:00 PM		
<i>Language</i>			
Walk-In Only			
<i>Notes</i>			Updated:01/26/2005
<hr/>			
<i>Place</i>	MT AIRY HOMES COMMUNITY CENTER		
<i>Address</i>	91 E ARCH STREET	ST PAUL	55101
<i>County & Site #</i>	RAMSEY	S50010371	
<i>Days Open</i>	WEDNESDAY AND SATURDAY		
<i>Hours</i>	WEDNESDAY 5:15 PM - 8:30 PM SATURDAY 9:15 AM - 12:30 PM		
<i>Language</i>	Hmong		
Walk-In Only			
<i>Notes</i>			Updated:01/19/2005
<hr/>			
<i>Place</i>	VIETNAM CENTER		
<i>Address</i>	1159 UNIVERSITY AVENUE SUITE 1	ST PAUL	55104

County & Site # RAMSEY

Days Open SATURDAY
Hours 10:00AM - 1:30PM

Language Vietnamese

Notes STARTS FEB 5TH

Updated:01/19/2005

Place LEXINGTON LIBRARY

Address 1080 UNIVERSITY AVE W

ST PAUL

55104

County & Site # RAMSEY

S50052729

Days Open FRIDAY AND SATURDAY
Hours 10:00 AM - 5:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place JEWISH COMMUNITY CENTER

Address 1375 SAINT PAUL AVE

ST PAUL

55116

County & Site # RAMSEY

S50052749

Days Open WEDNESDAY
Hours 10:00 AM - 2:00 PM

Language

By Appointment Only 651-698-0751

Handicap Accessible

Notes

Updated:01/26/2005

Place ARLINGTON HILLS LUTH. CHURCH

Address 1115 GREENBRIAR ST

ST PAUL

55106

County & Site # RAMSEY

S50052703

Days Open WEDNESDAY AND FRIDAY
Hours 8:30AM - 11:30AM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place ST. PETER COMMUNITY CENTER

Address 600 SOUTH 5TH STREET

ST PETER

56082

County & Site # NICOLLET

S50052810

Days Open THURSDAY

Hours 9:00 AM - 4:00 PM

Language

By Appointment Only 507-934-3048

Handicap Accessible

Notes

Updated:01/26/2005

Place STAPLES COMMUNITY CENTER

Address 425 NE 4TH STREET

STAPLES

56479

County & Site # TODD

S50053411

Days Open WEDNESDAYS

Hours 1:00PM - 4:00PM

Language

Walk-In Only

Notes

Updated:01/25/2005

Place SENIOR CITIZEN SERVICES/STEWARTVILLE

Address 120 CITY CENTER

STEWARTVILLE

55976

County & Site # OLMSTED

S50052640

Days Open APPT ONLY

Hours

Language

By Appointment Only 507-533-4787

Handicap Accessible

Notes

Updated:01/26/2005

Place

<i>Address</i>	STILLWATER SENIOR CITIZEN CTR 2300 ORLEANS ST W	STILLWATER	55082
<i>County & Site #</i>	WASHINGTON	S50051701	
<i>Days Open</i>	MONDAY, TUESDAY, THURSDAY		
<i>Hours</i>	MONDAY 9:00 AM - 12:00 NOON TUESDAY & THURSDAY 1:00 PM - 4:00 PM		
<i>Language</i>			
	By Appointment Only 651-439-9159		
	Handicap Accessible		
<i>Notes</i>			Updated:01/26/2005

<i>Place</i>	AMERICAN LEGION-TWO HARBORS		
<i>Address</i>	614 - 1ST AVE	TWO HARBORS	55616
<i>County & Site #</i>	LAKE	S50054101	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	9:00 AM - 3:00 PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	VIRGINIA SENIOR CITIZEN CENTER		
<i>Address</i>	511 CHESTNUT ST.	VIRGINIA	55792
<i>County & Site #</i>	SAINT LOUIS	S50053315	
<i>Days Open</i>	MONDAY AND WEDNESDAY		
<i>Hours</i>	10:00 AM -12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			Updated:01/25/2005

<i>Place</i>	WEST RANGE SHUT INS		
<i>Address</i>	SHUT INS ONLY	VIRGINIA	55792
<i>County & Site #</i>	SAINT LOUIS	S50053303	
<i>Days Open</i>	APPOINTMENT ONLY		
<i>Hours</i>			

Language

By Appointment Only CAROL AT
218-262-3204

Handicap Accessible

Notes

Updated:01/25/2005

Place THUNDERBIRD MALL VIRGINIA

Address 1401 S 12TH AVE.

VIRGINIA

55792

County & Site # SAINT LOUIS

S50053317

Days Open TUESDAY AND THURSDAY

Hours TUESDAY 1:00 PM - 4:00 PM AND 5:00 PM - 8:00 PM
THURSDAY 1:00 PM - 4:00 PM

Language

By Appointment Only 218-7442243
ROCHELLE DANIELS

Handicap Accessible

Notes

Updated:01/25/2005

Place VIRGINIA THUNDERBIRD MALL

Address 1401 S 12TH AVE.

VIRGINIA

55792

County & Site # SAINT LOUIS

S50053305

Days Open TUESDAY, THURSDAY AND SATURDAY

Hours TUESDAY AND THURSDAY 9:00 AM - 12:00 NOON
SATURDAY 10:00AM - 1:00PM

Language

By Appointment Only 218-741-0861
MONA PIKULA

Handicap Accessible

Notes

Updated:01/25/2005

Place MAPLE GROVE APARTMENTS

Address 730 W 6TH ST

WABASHA

55981

County & Site # WABASHA

S50051410

Days Open FRIDAY

Hours 11:00 AM - 2:30 PM

<i>Language</i>			
	By Appointment Only 651-385-0183		
<i>Notes</i>			
	Updated:01/26/2005		

<i>Place</i>	WADENA SENIOR CENTER		
<i>Address</i>	220 S JEFFERSON	WADENA	56482
<i>County & Site #</i>	WADENA	S50054413	
<i>Days Open</i>	THURSDAY STARTING FEBRUARY 17TH		
<i>Hours</i>	9:00 AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
	Handicap Accessible		
<i>Notes</i>			
	Updated:01/31/2005		

<i>Place</i>	HUMPHREY MANOR		
<i>Address</i>	311 3RD ST. SE	WADENA	56482
<i>County & Site #</i>	WADENA	S50054415	
<i>Days Open</i>	FEB 3RS & 10TH;		
<i>Hours</i>	9:00 AM - 4:00 PM		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>			
	Updated:01/31/2005		

<i>Place</i>	LIBERTY SAVINGS BANK/WAITE PARK		
<i>Address</i>	818 SECOND ST SOUTH	WAITE PARK	56387
<i>County & Site #</i>	STEARNS		
<i>Days Open</i>	SATURDAYS		
<i>Hours</i>	9:00AM - 12:00 NOON		
<i>Language</i>			
	Walk-In Only		
<i>Notes</i>	CLOSED 3/26/05		
	Updated:01/25/2005		

<i>Place</i>	AMERICAN LEGION POST 134		
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<i>Address</i>	407 FRONT STREET	WALKER	56484
<i>County & Site #</i>	CASS	S50053539	
<i>Days Open</i>	MONDAY, FRIDAY AND SATURDAY		
<i>Hours</i>	12:00 NOON - 4:30 PM		
<i>Language</i>			
	By Appointment Only 218-547-1058*		
	Handicap Accessible		
<i>Notes</i>	*CALL FOR AN APPOINTMENT AFTER 4:00 PM		
	Updated:01/25/2005		

<i>Place</i>	WASECA AREA SENIOR CENTER		
<i>Address</i>	308 N. STATE ST.	WASECA	56093
<i>County & Site #</i>	WASECA	S50052816	
<i>Days Open</i>	MONDAYS, TUESDAYS, AND WEDNESDAYS		
<i>Hours</i>	APPOINTMENT ONLY		
<i>Language</i>			
	By Appointment Only 507-835-4551		
	Handicap Accessible		
<i>Notes</i>			
	Updated:01/26/2005		

<i>Place</i>	WRIGHT COUNTY COMMUNITY ACTION		
<i>Address</i>	5TH ST ADN ELM AVE	WAVERLY	55390
<i>County & Site #</i>	WRIGHT		
<i>Days Open</i>	APPT ONLY		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 320-963-6500		
<i>Notes</i>			
	Updated:01/26/2005		

<i>Place</i>	PEOPLES STATE BANK		
<i>Address</i>	98 3RD ST SE	WELLS	56097
<i>County & Site #</i>	FARIBAULT	S50052808	
<i>Days Open</i>	WEDNESDAY		
<i>Hours</i>	1:00 PM - 4:00 PM		
<i>Language</i>			

By Appointment Only 507-553-3155

Handicap Accessible

Notes

Updated:01/26/2005

Place THOMPSON PARK ACT. CTR
Address 1200 STASSEN LANE

WEST ST PAUL 55118

County & Site # DAKOTA S50051703

Days Open MONDAY AND TUESDAY
Hours MONDAY 9:00 AM -11:30AM
TUESDAY 11:00AM - 3:00 PM

Language

By Appointment Only 651-457-1764

Notes

Updated:03/08/2005

Place WHITE BEAR SENIOR CENTER
Address 2484 COUNTY ROAD F

WHITE BEAR LAKE 55110

County & Site # RAMSEY S50052707

Days Open MONDAY
Hours 8:00 AM - 12:00 NOON

Language

Walk-In Only

Handicap Accessible

Notes

Updated:02/10/2005

Place WHITE BEAR PUBLIC LIBRARY
Address 4698 CLARK AVE

WHITE BEAR LAKE 55110

County & Site # RAMSEY S50052747

Days Open TUESDAY AND FRIDAY
Hours TUESDAY 1:00PM - 5:00PM
FRIDAY 10:00 AM - 2:00 PM

Language

Walk-In Only

Handicap Accessible

Notes

Updated:01/26/2005

Place	WILLMAR PUBLIC LIBRARY		
Address	410 SW 5TH STREET	WILLMAR	56201
County & Site #	KANDIYOHI	S50051810	
Days Open	THURSDAY		
Hours	9:00 AM - 3:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	RIVERVIEW APTS		
Address	605 10TH ST	WINDOM	56101
County & Site #	COTTONWOOD	S50052410	
Days Open	FRIDAY		
Hours	12:00 NOON - 5:00 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	WBGO MUNICIPAL CENTER		
Address	140 MAIN ST	WINNEBAGO	56098
County & Site #	FARIBAULT	S50052802	
Days Open	WEDNESDAY		
Hours	1:00 PM - 4:30 PM		
Language			
	Walk-In Only		
	Handicap Accessible		
Notes			

Updated:01/26/2005

Place	WINONA SENIOR FREINDSHIP CTR		
Address	251 MAIN ST	WINONA	55987

<i>County & Site #</i>	WINONA	S50051206	
<i>Days Open</i>	CALL FOR APPOINTMENT		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-454-5212		
	Handicap Accessible		
<i>Notes</i>		Updated:01/26/2005	

<i>Place</i>	COMMUNITY FIRST BANK		
<i>Address</i>	1010 2ND AVE.	WORTHINGTON	56187
<i>County & Site #</i>	NOBLES	S50052402	
<i>Days Open</i>	MONDAY AND FRIDAY		
<i>Hours</i>	9:00 AM - 3:00 PM		
<i>Language</i>			
	By Appointment Only 507-372-7374		
	Handicap Accessible		
<i>Notes</i>		Updated:01/26/2005	

<i>Place</i>	ZUMBROTA TOWERS		
<i>Address</i>	93 E. 4TH ST.	ZUMBROTA	55992
<i>County & Site #</i>	GOODHUE	S50051402	
<i>Days Open</i>	FEB. 4; MAR. 15; AND APRIL 12		
<i>Hours</i>			
<i>Language</i>			
	By Appointment Only 507-732-5086		
<i>Notes</i>		Updated:01/26/2005	

**Written Testimony of Gary P. Weinstein,
Vice President, Legal and Government Affairs, Jackson Hewitt Tax Service Inc.
Before the Permanent Subcommittee on Investigations**

Mr. Chairman, I want to thank you for giving me the opportunity to testify on behalf of Jackson Hewitt today. We welcome and support the Chairman's interest in, and attention to, tax-related financial products. Jackson Hewitt is pleased to have the opportunity to discuss its policies, procedures, disclosures and product offerings. We are committed to continue to exceed the existing disclosure requirements to ensure that customers are fully informed. In short, Jackson Hewitt provides its customers with the opportunity to make fully-informed choices about the products and services offered by us and third party banks, and only works with banks that share this approach. Our interaction with the Subcommittee's professional staff prior to today, and at this afternoon's hearing, are invaluable in helping us continue in these efforts.

Today, my testimony will discuss Jackson Hewitt's products and services, including those offered by the banks, our comprehensive disclosures that we provide to our customers, as well as our training of tax preparers and proprietary software system. In addition, Jackson Hewitt is continuously improving our training classes and materials, disclosure documents, and proprietary interview based software, to ensure that our customers are receiving full, and fairly presented, descriptions of the information they need to make well-informed choices about tax-related financial products.

I would also like to take this opportunity to present some of the actions that Jackson Hewitt intends to implement for the next tax season as part of our ongoing commitment to continue our industry leading practices. I am pleased to announce the following actions, noting that several of these actions have been culled based on our

discussions with the Subcommittee's staff under the direction of Senator Coleman: (1) Jackson Hewitt has eliminated the application fee for refund anticipation loans and other bank products in Jackson Hewitt company-owned locations; we have also already begun the process of encouraging our franchisees do the same; (2) Jackson Hewitt has sought and obtained the commitment of our banking partners to eliminate the \$10 additional finance fee for refund anticipation loans that is based on a tax refund with an Earned Income Tax Credit; (3) Jackson Hewitt has also obtained the commitment of the banks to provide for a customers' right to cancel a refund anticipation loan within 48 hours; (4) we will be creating a comprehensive tax preparer code of ethics that further solidifies our existing policies, procedures and expectations of tax preparer conduct; and (5) we will provide our customers with a customer bill of rights setting forth Jackson Hewitt's public commitment to its customers, as well as providing basic information that all customers should know.

I. Background

By way of introduction, I am Vice President, Legal and Government Affairs, of Jackson Hewitt Tax Service Inc., the second largest paid tax preparer in the United States. We have over 5,400 locations in 49 states and the District of Columbia, most of which are franchised. In the 2004 tax filing season, our network prepared approximately 3.1 million tax returns, which accounted for less than five percent of the paid tax preparer industry in that year. In addition, approximately 1.1 million of our customers elected to purchase refund anticipation loans.

In Minnesota, we have eight franchisees with forty-one locations collectively. For the 2004 tax filing season, these franchisees prepared approximately

13,000 returns for Minnesotans and facilitated the sale of approximately 4,000 refund anticipation loans. Our franchisees are independently owned and operated small businesses and entrepreneurs who live in, and employ people from, the local communities here in Minnesota, as well as throughout the country.

Jackson Hewitt's principal business, which accounts for over 70% of our revenues, is the preparation of tax returns. Most returns prepared by Jackson Hewitt offices are electronically filed. Jackson Hewitt electronically files tax returns under the IRS Authorized e-file program at no additional cost to the customer, and has always done so since the program's inception. Through e-file, the IRS Direct option, a customer can receive a refund directly in their own bank account or in the mail, free of charge. This option is always the first choice presented to our customer.

If a customer desires an alternative to the IRS Direct option, Jackson Hewitt also facilitates the provision of certain financial products offered by two federally regulated banks, HSBC Bank U.S.A., N.A. ("HSBC") and Santa Barbara Bank & Trust ("SBB&T"). In Minnesota, Jackson Hewitt franchises facilitate products offered by SBB&T. These products include Assisted Direct Deposit, Accelerated Check Refund and Refund Anticipation Loans.

I have included in my written testimony submitted to the Committee a description of many of our products, but in the interest of time, I will not describe those products here, unless the Subcommittee so wishes.

These products include:

- *Assisted Directed Deposit ("ADD"). This product allows customers to receive their refund, minus applicable fees, as a*

direct deposit into their own bank account. The ADD product is not a loan.

- **Accelerated Check Refund ("ACR").** This product allows customers to receive their refund, minus applicable fees, as a check if they do not have a bank account. The ACR product is not a loan.
- **Refund Anticipation Loans ("RAL").** This product enables customers to receive a loan on the amount of their anticipated federal income tax refund minus bank and other fees—the customer can receive up to \$7,000 in as little as 24 hours.

For each of these three bank products the customer is charged the same account set up fee of \$25 by the bank and an application fee by the tax preparation provider, regardless of product chosen. In the case of a RAL, the bank also charges a one-time finance charge of three percent (with a minimum \$10 finance charge and a maximum \$80 finance charge). As discussed previously, the \$10 additional finance charge will be eliminated.

- **Money Now Loans.** The Money Now Loan provides the customer with the ability to obtain an advance loan for up to \$1,100 on the refund anticipation loan on the same day as his tax preparation occurs. The banks charge an additional flat fee of \$35 for this product.
- **Holiday Express Loan Program ("HELP").** The HELP loan is offered by the banks in November/December. Qualified existing

customers may obtain a loan of up to \$575, and \$375 for all others applying. There is no obligation for a customer to return to Jackson Hewitt for tax preparation.

In addition to bank products, Jackson Hewitt offers a variety of other non-bank products options to our customers, including:

- **CashCard.** *A convenient alternative to receiving a check, the Jackson Hewitt CashCard is a MasterCard-branded debit card that may be used at ATMs, other PIN-based locations and locations that accept MasterCard.*
- **Gold Guarantee.** *All tax returns prepared by Jackson Hewitt come with a free basic guarantee that covers penalties and interest if a tax debt amount is owed due to tax preparer error. The Gold Guarantee is an optional product that is over and above our basic guarantee that reimburses the customer for the additional tax liability or refund shortfall due to tax preparer error.*

II. Jackson Hewitt's Extensive Disclosures About Its Bank Products

Jackson Hewitt believes that there already exists extensive disclosure and regulation regarding RALS. RALs, as loans, are subject to federal laws, including the Truth-in-Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, and Fair Debt Collection Practices Act, among others. These laws seek to ensure that every customer understands the terms and conditions of the loans and is treated in a fair, non-discriminatory manner. The banks with which Jackson Hewitt works are regulated by the Office of the Comptroller of the Currency ("OCC"). The banks provide each customer

with federally required disclosures included in their bank application and Truth in Lending Act (TILA) statements, as well as other documents. The banks, not Jackson Hewitt, make the lending decision for a RAL, set the finance charge, and make the loan. All the banks' activities in this regard are subject to the regular OCC examination scrutiny. In addition, states such as Minnesota already impose additional requirements on disclosures for RALs. *See, e.g.*, MINN. STAT. § 270.30 (2005). Jackson Hewitt not only complies with these disclosure requirements but has implemented its own disclosures over and above what the state statute mandates.

Finally, in addition to the previously mentioned regulations, the IRS registers each franchisee and additional designated persons as authorized e-filers for each of their locations. As part of this process, the IRS conducts an FBI criminal background check of the individual, with fingerprinting, a credit history check, and IRS records check to ensure that the individual that is responsible for e-filing has all appropriate tax returns filed and balances paid and to identify instances of fraud and preparer penalties, as well as a history check for e-file non-compliance. All of this is done to provide an additional level of safeguard to taxpayers that go to authorized e-file locations to have their taxes prepared. Please note that these stringent requirements only apply to authorized e-filers and not all tax preparers that do not file returns electronically.

In addition to the federally required disclosures of costs and terms that are a part of every RAL bank application and the Minnesota state required disclosure (Exhibit 1), Jackson Hewitt's commitment to exceeding even these extensive disclosure laws are highlighted by our current disclosures to customers that note in clear language that bank products are not mandatory, that a refund anticipation loan is, in fact, a loan and

not a refund, and explain the cost of bank products and their alternatives. These disclosures include:

- a large-type, one page disclosure form given to the customer, which clearly and simply explains the nature of a refund anticipation loan, sets forth the Annual Percentage Rate ("APR") for the loan sought, and warns that this APR may be high when compared to other sources of credit. (Exhibit 2);
- large wall posters in our locations which show refund and loan options as well as the costs and APR associated with various example loan amounts. (Exhibit 3);
- desk mats on every tax preparers' desk facing the customer setting forth each product and service available at Jackson Hewitt, including first and foremost the ability to transmit a tax return in connection with the "IRS Direct" option at no additional cost (Exhibit 4); and
- information embedded in our proprietary decision tree computer software which requires our trained tax preparers to present timely information to customers about the range of available options.

We also are continuously training our tax preparers, franchisees, officer managers and other employees to make sure they can provide a clear explanation of each product so that the customer can make the best decision for his or her own situation.

In furtherance of our ongoing goal of best practices, we applaud the Chairman's efforts, that we understand are underway, to establish a Code of Ethics guided

by IRS Publication 1345 applicable to the tax preparation and tax-related financial products industry.

III. Our Bank Products Provide a Service to Our Customers

The financial products offered through Jackson Hewitt are made available to customers to provide them with valuable, convenient alternatives for the receipt of their refund or loan proceeds. Some of these products do provide our customers with funds more quickly than they would otherwise receive. For many of these customers, alternative sources of funds are limited or non-existent, and may be more costly. In addition many of our customers do not even have bank accounts.

We are aware of the concerns raised regarding the Earned Income Tax Credit (EITC). We believe the EITC form is one of the more complex forms to complete. The EITC does not help a family struggling with financial burdens if it is not properly claimed on that family's tax return. In fact, if this form is filled out incorrectly a taxpayer can lose their eligibility for up to ten years. This is why we take the preparation of the EITC forms seriously by building due diligence requirements into our software as well as educating people about the requirements such as the definitions of children, the support rules, and the member of the household rules. This is an important point since the IRS has a pre-audit exam process in place called revenue protection strategy that reviews the claims for EITC for a large number of families before the refund is distributed to the taxpayer due to the high incidence of fraud. The IRS has reported that erroneous EITC claims amount to approximately \$10 billion. In short, we strongly believe that the products and services we provide, and those of the banks that we offer, serve a significant and important role to address the tax preparation and financial needs of Americans. We,

however, are constantly looking to improve our policies, procedures, practices, products and services, and those of the banks that we offer in order to better serve our customers.

IV. Conclusion

Jackson Hewitt is committed to continuously working to implement industry best practices. In this regard, it is particularly valuable for us to meet with Congress, federal and state regulatory authorities, and community groups. In fact, Jackson Hewitt works closely with the IRS on a regular and ongoing basis to promote and grow the government's electronic filing initiative. In addition, we, like all software providers, speak with the IRS to build checks into our software and systems to help reduce fraud even before a return is filed.

We will continue to work with Congress, federal and state regulatory authorities, and community groups to ensure that not only are all legal obligations met, but that Jackson Hewitt continues to set standards in the industry.

The discussions with the Subcommittee staff have been particularly productive in this regard in advancing Jackson Hewitt's ongoing best practices initiatives. We are pleased that we have been able to outline some of the initiatives planned for the 2006 tax season.

Thank you again for allowing me the opportunity to testify today. I would be happy to answer any questions that you may have.

**SANTA BARBARA BANK & TRUST (SBBT) REFUND PROCESSING AND
REFUND ANTICIPATION LOAN (RAL) APPLICATION AND AGREEMENT**
(SBBT is a division of Pacific Capital Bank, N.A., P.O. Box 1270, Solana Beach, CA 92075)

A Program Available Through Jackson Hewitt Tax Service[®]

Page 1 of 5

**IMPORTANT DISCLOSURES:
PLEASE READ BEFORE YOU SIGN THIS AGREEMENT**

If you are owed a federal tax refund, you have a right to choose how you will receive your money. There are several options available to you. Some options cost money and some options are free. Please read about these options below.

1. You can file your tax return electronically and obtain your refund directly from the IRS for free. If you file your return electronically, you can receive a refund check directly from the IRS within 21 to 28 days from the time you file your tax return or the IRS can deposit your refund directly into your bank account in as little as 9 to 16 days from the time you file your tax return. You do not have to obtain a RAL in order to take advantage of this option. **If you choose this option, you will have to pay your tax preparer to prepare and file your tax return. The IRS cannot deduct and pay tax preparer fees from your refund on your behalf.**

2. You can file your tax return electronically and have SBBT process your income tax refund without obtaining a RAL from SBBT. If you file your tax return electronically you can request the IRS to deposit your refund with SBBT. Upon receipt of your refund, SBBT will deduct and pay from your refund any fees charged by your tax preparer for the preparation and filing of your electronic tax return and any other amounts authorized by you and disburse the balance of your refund to you in as little as 9 to 16 days from the time you file your tax return. SBBT will deduct \$25 from your refund for this service (SBBT charges an additional \$10 to process your state refund).

3. You can file your tax return electronically and apply for a RAL from SBBT. If you file your tax return electronically and apply for and are approved for a RAL, the loan proceeds will be available to you in as little as 1 to 2 business days from the time you file your tax return. A RAL is a loan from SBBT in the amount of all or part of your refund. Your refund is used to pay back the loan. **If SBBT does not receive your refund, you are responsible for paying back SBBT the full amount of the loan.** If you apply and are approved for a Money Now advance on your RAL, up to \$1065 of your RAL proceeds will be available to you within 1 hour from the time you file your tax return. You do not have to apply for a Money Now RAL Advance in order to apply for a RAL.

PLEASE NOTE: The average repayment term for a RAL is 11 days. Because of the short repayment term, the Annual Percentage Rate (APR) on a RAL may be high compared to other sources of credit and it may cost less to use other sources of credit such as credit cards, equity lines, etc., instead of a RAL. Please refer to your Truth In Lending Act (TILA) disclosures and consult with your tax preparer to determine the cost of your RAL and/or Money Now RAL Advance before you accept any loan proceeds from SBBT.

4. Collection of an outstanding RAL, Money Now RAL Advance or Holiday Loan. If you have an outstanding unpaid RAL, Money Now RAL Advance or Holiday Loan with SBBT or any other RAL lender named in this application, SBBT will use this signed agreement as your authorization to deduct the amount of the outstanding debt from your refund and pay the outstanding amount to the appropriate lender on your behalf prior to disbursing the remainder of your refund, if any, to you (if you applied for a RAL, your RAL application may also be denied). SBBT may be acting as a third party debt collector in collecting this debt. **If you have an outstanding unpaid RAL, Money Now RAL Advance or Holiday Loan and do not want some or all of your tax refund to be used to repay this unpaid debt, do not sign this application. See Section 6 below for more information concerning the collection of outstanding debts.**

SBBT REFUND PROCESSING AND REFUND ANTICIPATION LOAN (RAL) APPLICATION AND AGREEMENT (Page 2 of 5)
APPLICANT INFORMATION (Complete for both taxpayers only if filing a joint return and application.)

Taxpayer's Name _____ Social Security No. _____

Spouse's Name _____ Social Security No. _____

1. IRS REFUND PROCESSING: As used in this Refund Processing and Refund Anticipation Loan Application and Agreement ("Agreement") the term "you" and "your" refers to the person signing below as the "Taxpayer" (or, if this is a joint return, both "Taxpayers"). SBBT refers to Santa Barbara Bank & Trust, a division of Pacific Capital Bank, N.A., P.O. Box 1270 Solana Beach, CA 92075. You are having your 2004 federal (and state if applicable) income tax return electronically prepared and filed by your Jackson Hewitt Tax Service (Tax Preparer/Electronic Filer ("Tax Preparer") and hereby authorize SBBT to receive your income tax refund(s) on your behalf and to make disbursements from your refund(s) as authorized by this Agreement. You authorize SBBT to establish a deposit account (the "Account") in your name for the purpose of receiving a direct deposit of your refund from the Internal Revenue Service ("IRS") and/or state taxing authorities. If and when SBBT receives your income tax refunds, you authorize SBBT to deduct from your Account any amounts, fees and charges authorized by this Agreement and disburse any remaining balance in the Account to you using the disbursement method indicated below. Unless there are delays by the IRS, you can expect your refund to be direct deposited with SBBT within 9 to 16 days from the time the IRS accepts your electronic tax return. If you apply for and are approved for a RAL and/or a Money Now RAL Advance, your RAL and/or Money Now RAL Advance proceeds will be disbursed to you using the same disbursement method selected below. **SBBT's federal refund processing fee is \$25.**

DISBURSEMENT METHOD:

Accelerated Check Refund: If you choose this option, the balance of your Account or your RAL proceeds (if applicable) will be disbursed to you via an SBBT cashier's check printed by your Tax Preparer.

Accelerated Direct Deposit: If you choose this option, the balance of your Account or your RAL proceeds (if applicable) will be deposited directly to your bank account. Please enter your bank account information below. If you enter your bank account information incorrectly and your deposit is returned to SBBT, the Account balance will be disbursed to you via an SBBT cashier's check printed by your Tax Preparer. **If the deposit is not returned to SBBT, you will be responsible for the loss.**

RTN _____ DAN _____

Accelerated Card Refund (CashCard): If you choose this option, you authorize SBBT to transfer the balance of your Account or your RAL proceeds (if applicable) to Wright Express Financial Services, Inc. and its affiliates or authorized designees (collectively "WE") to allow you to participate in, and obtain your refund or RAL proceeds via, the Jackson Hewitt CashCard Program (the "Card Program") offered by JHI and WE through your Tax Preparer. **In addition to SBBT's refund processing fee, there are other fees and charges that you will have to pay if you choose this option, including fees to access your funds. Please review the Jackson Hewitt CashCard Agreement and Disclosure Statement prior to selecting this option to learn of the maximum fees and charges that may apply and certain other terms and conditions.**

Accelerated Card Refund (Payroll Card): If you choose this option, you authorize SBBT to deposit the balance of your Account or your RAL proceeds (if applicable) to your Payroll Card bank account to allow you to obtain your refund or RAL proceeds via your Payroll Card.

2. STATE REFUND PROCESSING: If you are also filing your state tax return electronically and elect to have your state refund disbursed by SBBT, you hereby authorize your 2004 state refund amount to be directly deposited from the appropriate state agency to the Account and disbursed to you using the disbursement method selected above. **SBBT's state refund processing fee is \$10.**

3. REFUND ANTICIPATION LOAN ("RAL") APPLICATION AND AGREEMENT: In addition to choosing to have your refund processed as described above, you are requesting a loan from SBBT in the amount of your 2004 IRS Income tax refund (the maximum loan amount is \$7000). If you are approved for a loan under this option, your loan proceeds minus authorized deductions will be disbursed within 24 hours after the IRS accepts your electronic tax return using the disbursement method you selected above. If SBBT is unable to approve a RAL for you in the full amount of your refund, you agree that SBBT may provide a RAL to you in a lesser amount at SBBT's discretion. If you are approved for a RAL, you authorize SBBT to collect the outstanding RAL from your Account upon receipt of your IRS refund. If SBBT does not receive your IRS refund, you will remain obligated to SBBT for the entire RAL amount. The finance charge for a RAL is equal to 3% of the total loan amount but not less than \$10 or more than \$80. The finance charge will be increased by \$10 if the tax refund includes Earned Income Credit (EIC). The finance charge, federal refund processing fee and any other fees and charges authorized by this Agreement will be deducted from the RAL before the RAL proceeds are disbursed to you. If you are approved for a RAL, the terms and conditions of this Agreement and applicable Truth-in-Lending Act (TILA) disclosure will govern your RAL, including your obligation to repay all amounts loaned to you.

4. MONEY NOW RAL ADVANCE: In addition to applying for a RAL, you are requesting SBBT to advance up to \$1065 of your expected RAL proceeds to you before your tax return has been accepted by the IRS. You acknowledge that if your request for a Money Now RAL Advance is approved, the RAL advance amount will be disbursed to you within one hour after your loan application and tax return have been filed using the disbursement method you selected above. If both your RAL and your Money Now RAL Advance are approved, you authorize SBBT to pay the RAL advance amount from the proceeds of your RAL and increase the RAL finance charge by \$35. If you are approved on your Money Now RAL Advance but denied on your application for a RAL, the outstanding RAL Advance amount, the Money Now RAL Advance fee of \$35 and any other fees and charges authorized by this agreement, including the \$25 federal refund processing fee, will be deducted from your Account if and when SBBT receives your IRS refund. If SBBT does not receive your IRS refund your full RAL advance amount and the \$35 Money Now RAL Advance fee will be due and payable on demand.

SBBT REFUND PROCESSING AND REFUND ANTICIPATION LOAN (RAL) APPLICATION AND AGREEMENT (Page 3 of 5)

Name: _____ SSN: _____

5. CONSENT/AUTHORIZATION: If you apply for and are approved for a RAL, you authorize SBBT to deduct from your Total Refund Anticipation Loan Amount the Total Fees and Charges shown on Line (i) below and any amounts due pursuant to Section 6 and disburse the balance of the loan proceeds to you in accordance with the disbursement method selected above. The actual loan amount, amount financed, finance charge, APR, and fees will be disclosed to you on your Truth-In-Lending Disclosure Form. When SBBT receives your 2004 federal tax refund, you authorize SBBT to deduct from your Account the Total Refund Anticipation Loan Amount disclosed on your Truth-In-Lending Form prior to disbursing the balance of your Account to you. If SBBT does not receive all or part of your tax refund, you will be responsible for paying off the loan amount still outstanding. **Denied RAL:** If your loan is denied, you authorize SBBT to continue to process your refund in accordance with Section 1. If you have selected only refund processing as described in Section 1, you authorize SBBT to deduct from the Account the Total Fees shown on Line (g) below and any outstanding amounts described in Section 6, prior to disbursing the balance of the Account to you (state refund processing fee will only be deducted from the Account after the state refund is received).

a. Tax preparation and electronic filing fees (payable to your Tax Preparer)	\$ _____	
b. Documentation fees (payable to your Tax Preparer)	\$ _____	
c. SBBT federal refund processing fee*	\$ _____	* A portion of these fees may
d. SBBT state refund processing fee*	\$ _____	be shared with Jackson Hewitt,
e. Additional products and services purchased from Jackson Hewitt, Inc.	\$ _____	Inc., and your tax preparer.
f. Other	\$ _____	
g. Total Fees	\$ _____	
h. Total Estimated Prepaid Finance Charge (payable to SBBT)*	\$ _____	
i. Total of Fees and Finance Charge	\$ _____	

6. a. COLLECTION OF AN OUTSTANDING RAL. You authorize JHI and SBBT to exchange information about your current and prior RALs with other RAL lenders including Bank One, N.A., Beneficial National Bank/Household Bank, Imperial Capital Bank, First Republic Bank, First Security Bank, River City Bank, First Bank of Delaware, and Republic Bank & Trust Company/ Refunds Now. If you have outstanding unpaid RALs from prior years with SBBT or any one or more of these lenders that have not been discharged in bankruptcy, you irrevocably authorize SBBT to deduct from the Account, after deducting the applicable fees as set forth in Section 5, the total amount due on the prior year RALs and forward such amount(s) to the appropriate RAL lender(s) prior to disbursing the balance of the Account to you.*

b. COLLECTION OF OUTSTANDING TAX PREPARER FEES: If you still owe fees to a Tax Preparer for preparing your prior year federal (and state if applicable) tax return, you authorize SBBT to deduct the amount of the outstanding fees from your RAL proceeds after the applicable fees in Section 5 and amounts pursuant to 6(a) and (c) have been deducted and prior to disbursing the balance of your RAL proceeds to you or, in the event your RAL is denied and your refund is processed according to Section 1, you authorize such outstanding Tax Preparer fees to be deducted from the Account after the applicable fees as set forth in Section 5 and amounts in Section 4 and Section 6(a) and (c) have been deducted from the Account and prior to disbursing the balance of the Account to you.*

c. COLLECTION OF OUTSTANDING HOLIDAY LOAN: If you (either Taxpayer if this is a joint return) have an outstanding loan ("Holiday Loan") provided by SBBT, Imperial Capital Bank, Household Bank or HSBC Bank USA, N.A. under the Holiday Express Loan Program and the Holiday Loan has not been discharged in bankruptcy, you authorize SBBT to deduct from your RAL proceeds or the Account, after deducting the applicable fees and charges disclosed in Section 5, the total amount due on the Holiday Loan and apply it towards your outstanding Holiday Loan balance with SBBT or forward the amount to HSBC Bank USA, N.A. prior to disbursing the balance of the RAL proceeds or Account to you.*

* You understand that SBBT may be acting as a third party debt collector hereunder in attempting to collect a debt pursuant to Section 6 and may use your authorization pursuant to this Agreement and any information obtained in connection with this Agreement to collect a delinquent RAL, Holiday Loan or Tax Preparer fees as noted above.

7. SHARING INFORMATION: You authorize Jackson Hewitt Tax Service, the preparer and transmitter of your tax return and the IRS (or state taxing authority) to disclose your 2004 tax return or refund information to SBBT. You acknowledge that SBBT may share information about you with a) Jackson Hewitt Tax Service, the preparer and transmitter of your tax return and with other third parties to the extent necessary to process your product request and b) financial institutions who are performing third-party debt collection on behalf of SBBT. This sharing is not subject to your consent or right to opt out. By signing below, you consent to SBBT, Jackson Hewitt Tax Service, the preparer and transmitter of your tax return, and other RAL lenders sharing information about you with each other from time to time, including without limitation for the purposes of underwriting RALs and other loans and to offer you other products and services. You may revoke this consent by contacting SBBT in writing at P.O. Box 1270, Solana Beach, CA 92075. California residents will be asked to sign a separate consent. **Consumer Reports:** By signing below, you authorize SBBT or Jackson Hewitt Tax Service to obtain consumer reports on you from time to time in connection with your RAL or to offer you additional products or services.

8. IDENTIFICATION OF TAXPAYER: You hereby certify that you have presented your Tax Preparer with one form of picture I.D. issued to you by a government agency and your valid social security card or IRS label showing your name and SSN and, if you are claiming dependents, valid social security cards for each dependent claimed on your tax return.

SBBT REFUND PROCESSING AND REFUND ANTICIPATION LOAN (RAL) APPLICATION AND AGREEMENT (Page 4 of 5)

Name: _____ SSN: _____

9. SECURITY INTEREST AND ASSIGNMENT. You hereby assign to SBBT your 2004 federal income tax refund, your Account, and all funds deposited therein, to the extent necessary to reimburse SBBT for your RAL or Money Now RAL Advance and/or facilitate collection by SBBT of any other amounts pursuant to this Agreement. You also grant SBBT a security interest in the same. You agree that SBBT may assign, sell or transfer its ownership of the RAL and all or part of its rights arising under this Agreement to a third party or affiliate of SBBT and that SBBT may make any transfers from the Account necessary to accomplish the assignment, sale or transfer. You may not revoke this security interest or any assignment.

10. MISCELLANEOUS. (a) The provisions in this Agreement survive the issuance of the ACR check, the approval of this Agreement and the execution and delivery of the RAL proceeds. (b) The enforcement and interpretation of this Agreement and the transactions contemplated herein (including, without limitation, the applicable interest rate) shall be governed by the laws of the State of California applicable to contracts executed and to be performed entirely in the State of California by residents of the State of California, without regard to the conflicts of laws, and, to the extent applicable, by the laws of the United States of America. (c) You agree to pay any costs of collection, including reasonable attorneys' fees, if the RAL is not paid when due.

11. CERTIFICATION. You hereby certify that: (a) you are not delinquent in the payment of taxes, either individual or business, to the IRS or any state agency; (b) you are not delinquent in the payment of any child support or alimony; (c) you are not delinquent in the payment of any student loans, Veteran Administration loans or other Federally sponsored loans; (d) you have not previously filed a 2004 federal income tax return; (e) you have not paid any estimated tax and/or did not have any portion of your 2003 refund applied to your 2004 taxes; (f) you are of legal age to enter into contracts in the State where you reside; (g) you do not have a power of attorney presently in effect or on file with the IRS to direct your federal tax refund to any third party; (h) you have read all documents relating to this Agreement, including disclosure statements; and (i) you are not presently making regular payments or are delinquent in making such payments to the IRS for unpaid taxes in prior years.

12. ACKNOWLEDGEMENT REGARDING TAX PREPARER AND JHI. You agree that neither your Tax Preparer nor JHI is acting as your agent or is under any fiduciary duty to you regarding this Application or your RAL. Among other things, you agree and consent to the receipt by your Tax Preparer and/or JHI of fees as set forth in this Agreement.

SIGNATURES: By signing below, you acknowledge that everything you have stated in this Agreement is true and correct. You acknowledge that you have read and understand and agree to each of the terms and conditions herein. If approved for a RAL, you promise to pay upon demand or from the account the "Total Loan Amount" disclosed on your RAL Truth-in-Lending disclosure form. You acknowledge receiving a completed copy of this Agreement and, among other things, consent to the collection authorizations in Section 6 above and the certification in Section 11 above. If you are applying for a RAL, you also acknowledge receiving a Truth-in-Lending form which includes additional important disclosures, terms and conditions concerning your RAL and you acknowledge that you have read and understand these additional disclosures and agree to the terms and conditions therein. If you apply for and receive a RAL and/or a Money Now RAL Advance and the tax refunds deposited to your account are insufficient to reimburse SBBT for your RAL and/or Money Now RAL Advance, you promise to pay your RAL and/or Money Now RAL Advance immediately upon demand. If you elected to participate in the Payroll Card program or the CashCard program, you acknowledge that you have received, read, understand and agree to the terms and conditions applicable to those programs.

X
Signature of Taxpayer _____ Date _____
Witness (Tax Preparer) _____ Date _____

X
Signature of Joint Taxpayer (if joint application) _____ Date _____

PLEASE NOTE: YOUR RAL OR MONEY NOW RAL ADVANCE CAN BE DECLINED BY SBBT!

If you applied for a RAL and your RAL request is denied or if you decline to accept your RAL proceeds for any reason, SBBT will keep your Account open to receive your tax refund(s) and in the event that SBBT receives your tax refund(s), SBBT will process your tax refund(s) and make deductions and disbursements from your Account in accordance with the terms and conditions of this Agreement. If you applied for a RAL and a Money Now RAL Advance and your request for a Money Now RAL Advance is declined, SBBT will continue to process your RAL request in accordance with the terms and conditions of this Agreement and the RAL Truth-in-Lending Disclosure provided with this application. If your request for a Money Now RAL Advance is approved but your RAL request is denied (e.g., the IRS acknowledgment indicates that your tax refund is going to be offset to pay outstanding taxes or government agency debt), SBBT will keep your Account open to receive your tax refund(s) and, in the event that SBBT receives your tax refund, SBBT will process your Money Now RAL Advance and your tax refund in accordance with the terms and conditions of this Agreement and the Money Now RAL Advance Truth-in-Lending Disclosure.

FEDERAL ELECTRONIC FUND TRANSFER ACT DISCLOSURES: The Federal Electronic Fund Transfer Act provides you with certain rights and obligations regarding the preauthorized federal and state income tax refund that will be electronically deposited into your Account established at SBBT for that purpose. If you believe that there is an error or if you have a question about your Account, write to Santa Barbara Bank & Trust, P.O. Box 1270, Solana Beach, California 92075 or telephone (888) 353-7228 and provide SBBT with your name, a description or explanation of the error and the dollar amount of the suspected error. SBBT will advise you of the results of its investigation within 10 business days.

SBBT REFUND PROCESSING AND REFUND ANTICIPATION LOAN (RAL) APPLICATION AND AGREEMENT (Page 5 of 5)

Name: _____ SSN: _____

USA PATRIOT ACT DISCLOSURE: To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When we open an account for you for the purpose of receiving your IRS refund deposit or if you apply for one of our products, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

TRUTH IN SAVINGS DISCLOSURE: The Account is being opened for the purpose of receiving your (both spouses if this is a jointly filed return) 2004 federal (and 2004 state, if applicable) income tax refund. No fee is charged for opening the Account. No other deposits may be made to the Account. No withdrawals will be allowed from the Account until all disbursements and payments authorized by this agreement have been made. No interest will be paid on the deposit. The Account will be closed after all authorized deductions have been made and any remaining balance has been disbursed to you.

New York Residents: A credit report may be requested in connection with your Agreement. At your request SBBT will tell you whether or not a credit report was obtained and, if so, the name and address of the credit reporting agency that furnished the report. **Ohio Residents:** Ohio laws against discrimination require that all creditors make credit equally available to all credit-worthy customers and that credit-reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law. **Wisconsin Residents:** Wisconsin law provides that no agreement, court order, or individual statement applying to marital property will affect a creditor's interest unless, prior to the time credit is granted, the creditor is furnished with a copy of the agreement, court order, or statement, or has actual knowledge of the adverse provision.

Santa Barbara Bank & Trust Privacy Notice

Dear Customer: In the process of applying for a tax-related bank product from Santa Barbara Bank & Trust (SBBT), you were required to provide us with information about yourself and we obtained information about you from others. The Federal Financial Privacy Law requires us to provide you with this statement. In this Privacy Notice, "Confidential Information" means most non-public personally identifiable information about you. This Notice applies only to individuals who have applied for a tax-related bank product from SBBT. We may change our privacy policy at any time, giving you any notice that may then be required.

Confidential Information we collect. The Confidential Information that we collect about you includes information in your application and your tax return in each year that you applied for a tax-related financial product, such as your name, address, social security number, income, deductions, refund and the like. We also collect information about your transactions with us, other lenders, tax preparers and similar providers, such as payment histories or balances due or tax information. We may also collect information concerning your credit history from a credit-reporting agency.

Information we share and with whom. We may disclose your Confidential Information to nonaffiliated third parties as permitted by law. SBBT and other tax-related bank product providers may disclose information to each other about their experiences with you in order to collect outstanding tax-related loans or tax preparation fees, or to prevent actual or potential fraud, unauthorized transactions, claims or other liability. We may also disclose Confidential Information with your consent or as otherwise permitted by law. Your signed bank product application and agreement included a consent to certain sharing of information. You may revoke that consent by notifying us at any time. If you revoke, we will continue the processing of any pending application but we will not share the information you asked us not to share unless otherwise permitted by law.

Former customers. These policies continue to apply after you become a former customer.

Joint marketing. We may disclose all of the Confidential Information that we collect as described above to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing arrangements. Before we share Confidential Information with any of these companies, we require that they agree in writing to protect the information and limit its use to the business purpose of our agreement with them.

Security procedures we use to protect your Confidential Information. Inside SBBT, your information is accessible only to employees who need the information in order to process your product request, answer your questions or determine the types of additional products or services that we think may interest you. We have a formal Code of Ethics and train our employees on their responsibility to maintain the privacy of your Confidential Information. We also maintain physical, electronic and procedural safeguards and that comply with federal standards to guard your Confidential information.

Questions? If you have any questions regarding our Privacy Policy, please call 888-353-7226.

Name: _____ SSN: _____
 Name: _____ SSN: _____

REFUND ANTICIPATION LOAN (RAL) TRUTH-IN-LENDING (TILA) DISCLOSURE FORM

In this TILA disclosure, the term "you", "your" and "yours" refer to the applicant(s). The words "we", "us" and "our" refer to Santa Barbara Bank & Trust (SBBT), a division of Pacific Capital Bank, N.A., P.O. Box 1270, Solana Beach, CA 92075. If you are applying for and are approved for a Refund Anticipation Loan (RAL), the following important Truth-In-Lending (TILA) disclosures apply to your RAL. A RAL is a loan.

ANNUAL PERCENTAGE RATE* The cost of your credit as a yearly rate _____ %	FINANCE CHARGE The dollar amount the credit will cost you \$ _____	Amount Financed The amount of credit provided to you on your behalf \$ _____
Payment Schedule: One payment equal to \$ _____ will be due when the IRS makes a direct deposit of your tax refund with SBBT which should occur approximately 11 days from the day your RAL is disbursed.		
Creditor: SBBT is a division of Pacific Capital Bank, N.A. and the creditor in this loan transaction. Prepayment: If you pay off early, you will not be entitled to a refund of part or all of the Finance Charge. Security: When you apply for a RAL you will be granting SBBT a security interest in your federal tax refund and your Account to the extent of your RAL and any other fees or charges authorized in your REFUND PROCESSING AND REFUND ANTICIPATION LOAN APPLICATION AND AGREEMENT ("AGREEMENT"). Contract Reference: See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment rebates and penalties. * All numerical disclosures are estimates		

ITEMIZATION OF AMOUNT FINANCED		
1. Amount paid directly to you (estimate*)		\$ _____
2. Tax preparation and filing fees (paid to your Tax Preparer)		\$ _____
3. Documentation fees (paid to your Tax Preparer)		\$ _____
4. SBBT federal refund processing fee **		\$ _____
5. Additional products or services purchased from Jackson Hewitt, Inc. (JHI)		\$ _____
6. Money Now RAL Advance (Paid to SBBT)		\$ _____
7. Other:		\$ _____
8. Amount Financed (add 1-7)		\$ _____
9. Total Prepaid Finance Charge (Itemized below)		\$ _____
SBBT Bank Fee **	\$ _____	
Tax Preparer's Money Now RAL Advance processing fee	\$ _____	
10. Total Loan Amount (8 + 9)		\$ _____
(loan amount you are applying for)		
* The actual amount paid directly to you may be less if you owe any outstanding debts that you have authorized us to collect from your RAL proceeds.		
** A portion of SBBT's Bank Fee may be shared with your tax preparer and the transmitter of your tax return.		

ADDITIONAL DISCLOSURES: Once your AGREEMENT has been signed and transmitted to SBBT and SBBT has received an acknowledgement from the Internal Revenue Service (IRS) that your electronically filed tax return has been received and accepted by the IRS, SBBT will open a temporary deposit account to receive your IRS refund and SBBT will approve or deny your loan. If your RAL is approved, SBBT will make all authorized deductions and disburse the amount on Line 1 to you in accordance with the disbursement method chosen by you. If fees are associated with the disbursement method you chose, your disbursement would be reduced by the amount of those fees (please refer to your disbursement option agreement for a disclosure of these fees). If your RAL is approved and disbursed to you and SBBT subsequently receives your IRS tax refund, SBBT will apply the tax refund towards your outstanding RAL obligation. Any refund balance in excess of \$1 will be paid to you in a subsequent disbursement. If your loan is denied, your deposit account will be kept open to receive your tax refund. If and when the tax refund has been deposited by the IRS to your deposit account, SBBT will make all deductions authorized by your AGREEMENT and disburse the balance of the deposit account to you in accordance with the disbursement by you. SBBT has no control over and cannot guarantee if or when the IRS will issue you a refund or what the amount of your expected tax refund will be.

BY SIGNING BELOW, I (we, if joint return filed) acknowledge that I have received these TILA disclosures concerning my RAL. I understand that these disclosures will apply to my RAL if I am approved for a RAL and I agree to each of the terms in this TILA disclosure and to each of the terms in my signed AGREEMENT.

Date _____ **X** _____ **X** _____
 F 12/14/04 Signature of Primary Taxpayer Signature of Secondary Taxpayer

"NOTICE"

This is a loan. The annual percentage rate (APR), based on the estimated payment period is _____ %.

Your refund will be used to repay the loan. As a result, the amount of your refund will be reduced by _____ for fees, interest and other charges.

You can get your refund in about two weeks if you file your return electronically and have the Internal Revenue Service send your refund to your own bank account.

I hereby acknowledge the above:

X_____
Taxpayer

X_____
Spouse

(Witness) Tax Preparer

(Tax preparer's signature is required and all blank fields above must be filled in.)

This form is provided as a courtesy by Santa Barbara Bank & Trust (SBBT), a division of Pacific Capital Bank, N.A., P.O. Box 1270, Solana Beach, CA 92075. SBBT does not make any representations or warranties that this document complies with the disclosure requirements for RALs under Minnesota law. Please seek the opinion of your own attorney as to its sufficiency for that purpose.

If you are approved for a refund anticipation loan, you can expect to receive your loan proceeds within 48 hours from the time your tax return is filed.

F 11/24/04

REFUND ANTICIPATION LOAN DISCLOSURES

A Refund Anticipation Loan, ("RAL"), is a short-term loan offered by Santa Barbara Bank & Trust (the "Bank"), a division of Pacific Capital Bank, N.A. Before you apply for a RAL, please read the following important disclosures.

IMPORTANT DISCLOSURES

1. You can file your tax return electronically and obtain your refund directly from the IRS without obtaining a RAL. If you file your tax return electronically the IRS may deposit your refund directly into your bank account in as little as 11–17 days from the time you file your tax return or you can receive a refund check directly from the IRS approximately 21–28 days from the time you file your tax return. This option requires out-of-pocket payment of all fees related to your tax preparation service. The IRS cannot deduct and pay tax preparer fees from your refund on your behalf.

2. You can file your tax return electronically and have the Bank process your income tax refund without obtaining a RAL. If you file your tax return electronically, you can request the IRS to deposit your refund with the Bank. Upon receipt of your refund, the Bank will deduct and pay from your refund any fees charged by your tax preparer for the preparation and filing of your electronic tax return and any other amounts authorized by you and disburse the balance of your refund to you by either direct deposit into your bank account in approximately 13–19 days or by check in about 11–17 days from the time you file your tax return. The Bank will deduct \$25 from your refund for this service (the Bank charges an additional \$10 to process your state refund).

3. You can file your tax return electronically and apply for a RAL. If you file your tax return electronically and apply for and are approved for a RAL, the loan proceeds will be available to you in as little as 24 hours from the time you file your tax return. A RAL is a loan from the Bank in the amount of all or part of your refund. Your refund is used to pay back the loan. The average repayment term for a RAL is 11 days. The Bank's finance charge for a RAL is equal to 3.0% of the RAL, but not less than \$10 or more than \$80. The finance charge will be increased by \$10 if the tax refund includes Earned Income Tax Credit (EITC). See the chart below for a representative range of costs of RALs. If you apply and are approved for a Money NowSM Loan advance on your RAL, up to \$1065 of your RAL proceeds will be available to you within 1 hour from the time you file your tax return for a \$35 bank fee. You do not have to apply for a Money NowSM Loan in order to apply for a RAL.

4. A RAL is a loan. You are responsible for repaying the RAL and RAL fees in the event the IRS does not pay your refund in whole or in part.

Representative Range of Refund Anticipation Loan Amounts and Finance Charge*

In the example below, the Bank's finance charge is equal to 3.0% of the RAL but not less than \$10 or more than \$80. The Finance Charge has been increased by \$10 assuming that the tax refund includes Earned Income Tax Credit (EITC). If a Money NowSM Loan was also applied for and approved, the Finance Charge would be increased \$35 and the APR would be higher than that shown.

Total Loan Amount	Amount Financed	FINANCE CHARGE	Estimated Payment Period	ANNUAL PERCENTAGE RATE
\$ 500.00	\$ 475.00	\$25.00	11 days	174.64%
\$ 750.00	\$ 717.00	\$33.00	11 days	152.72%
\$1000.00	\$ 960.00	\$40.00	11 days	138.26%
\$1500.00	\$1445.00	\$55.00	11 days	126.30%
\$2000.00	\$1930.00	\$70.00	11 days	120.35%
\$3000.00	\$2910.00	\$90.00	11 days	102.62%

*In addition to the finance charge, the Bank charges a federal refund processing fee of \$25. In addition, your tax preparer will charge a tax preparation fee and may charge an application fee in connection with the RAL. If approved for a RAL, you will receive a Truth-In-Lending disclosure with your check or on a separate disclosure form that you must sign. This disclosure will list the actual Finance Charge, Annual Percentage Rate and other fees and charges associated with your RAL transaction.

We offer a wide selection of products and services. Choose one that's right for you.



IRS Direct

Receive your tax refund check directly from the IRS. If you use direct deposit, your refund will be in your bank account within 11-17 days. Or have your refund mailed to you in about 21 days. **FREE** electronic filing with paid tax preparation. If you choose IRS Direct, tax preparation fees must be paid upfront.



Jackson Hewitt® CashCard®

You automatically qualify for the CashCard®, debit MasterCard® when you're approved for our Money Now®, RAL or ACR products. Money is automatically loaded into your card account. Use the card to make purchases wherever MasterCard® is accepted or to withdraw money from select banks and ATMs. Fees apply.

Gold Guarantee

Enjoy worry-free tax preparation. With the Gold Guarantee®, if an error is made in the preparation of your tax return, then you will be reimbursed up to \$6,000 for any additional taxes owed. Exclusions apply. Refer to the Gold Guarantee certificate for complete terms and conditions.

Accelerated Check Refund (ACR)

With our ACR service, you can have your refund in about 11-17 days. There are no out-of-pocket expenses because all fees are deducted from your refund. **FREE** electronic filing with paid tax preparation. Additional fees and conditions apply.

Refund Anticipation Loan (RAL)

Get a loan in the amount of your tax refund in as little as one day (up to \$7,000). With a RAL, you receive money with all bank fees and other charges deducted from your loan proceeds, so there are no out-of-pocket expenses.

Assisted Direct Deposit

Have your refund deposited directly into your bank account in approximately 13-19 days. There are no out-of-pocket expenses because all fees are deducted from your refund, and it's one less trip you'll have to make. **FREE** electronic filing with paid tax preparation. Additional fees and conditions apply.

Money Now® Loan

Get up to \$1,000 in minutes with a Money Now® loan.* Just walk in with your tax return and walk out with money. It's quick, it's easy and there's no faster way to get money at tax time.

*RAL application and Form 1042 required. Money Now, RAL/ACR bank product fees and other charges deducted from loan proceeds.

Holiday Express Loan Program

Qualify for HELP® and get up to \$500 with no out-of-pocket expenses*. Then come back to Jackson Hewitt at tax time.

Qualify for a RAL or ACR and use it to pay off your HELP loan.

*Subject to qualification. Maximum loan amount is \$375 for pre-approved, prior-year customers; \$375 for all other applicants. All fees deducted from loan proceeds. Purchase of tax preparation is not required.

Flex-Pay ProgramSM

Owe money at tax time? Paying your taxes is easy and convenient with the Jackson Hewitt® Flex-PaySM Program. Choose from several options including a 90-day, same-as-cash Flex LoanSM. Ask your tax preparer how the Flex-Pay ProgramSM can help you. Terms and conditions apply.

All loan products provided by Santa Barbara Bank & Trust or HSBC Bank USA, N.A. Subject to qualification. Refer to applications for complete terms and conditions. Most offices are independently owned and operated.

Ofrecemos una amplia variedad de productos y servicios. Elja el que mejor se adapte para usted.



GRATIS! Directamente del IRS

Reciba su cheque de reembolso de impuestos directamente del IRS. Si usted utiliza la función de depósito directo, su reembolso será depositado en su cuenta bancaria en un plazo de 11 a 17 días. También puede solicitar que su reembolso le sea enviado por correo en aproximadamente 21 días. Su declaración de impuestos es presentada electrónicamente **GRATIS** si usted contrata la preparación de su declaración. Si usted opta por IRS Direct, los cargos de preparación de su declaración de impuestos deben pagarse por adelantado.



Tarjeta Jackson Hewitt® CashCard

Si usted es aprobado para recibir nuestros productos Préstamo de Dinero al Momento, RAL o ACR, podrá obtener automáticamente la CashCard®, la tarjeta de débito de MasterCard®. El dinero se cargará en la cuenta de su tarjeta en forma automática. Utilice la tarjeta para hacer compras en todas las áreas donde se acepte MasterCard® o bien para retirar dinero de bancos y cajeros automáticos seleccionados. Se aplican cargos.

Gold Guarantee

Haga preparar su declaración de impuestos y desprecúpese. Si se comete un error en la preparación con Gold Guarantee® se le reembolsarán hasta \$4,000 por cualquier impuesto adicional que usted adeude. Se aplican excepciones. Para obtener los términos y condiciones completos, consulte el certificado de Gold Guarantee.

Accelerated Check Refund (ACR)

Con este servicio, usted puede recibir su reembolso en aproximadamente 11 a 17 días. No es necesario hacer gastos de bolsillo, ya que todos los cargos son descontados de su reembolso. Su declaración de impuestos es presentada electrónicamente **GRATIS** si usted contrata la preparación de su declaración. Se aplican cargos y condiciones adicionales.

Depósito Directo Asistido

Su reembolso puede ser depositado directamente en su cuenta bancaria en aproximadamente 13 a 19 días. No es necesario hacer gastos de bolsillo, ya que todos los cargos son descontados de su reembolso, y para usted será un trámite menos por hacer su declaración de impuestos y presentarla electrónicamente **GRATIS** si usted contrata la preparación de su declaración. Se aplican cargos y condiciones adicionales.

Refund Anticipation Loan (RAL)

Obtenga un préstamo equivalente a la cantidad de su reembolso de impuestos en sólo un día (hasta \$7,000). Con el préstamo RAL, usted obtiene dinero con todos los cargos bancarios y demás gastos ya descontados del monto de su préstamo. Por lo tanto, no es necesario hacer gastos de bolsillo.

Préstamo de Dinero al Momento

Obtenga hasta \$1,000 en pocos minutos con un Préstamo de Dinero al Momento®. Simplemente, preséntese con su declaración de impuestos y mélese con el dinero. Es rápido, es fácil y no existe otro crédito más veloz para obtener dinero cuando llega el momento de pagar impuestos.

*Se requiere presentar la solicitud del RAL y el Formulario W-2. Los cargos por los productos bancarios Préstamo de Dinero al Momento, RAL y ACR y otros cargos son descontados del monto de su préstamo.

Flex-Pay ProgramSM

¿Debe dinero en época de pago de impuestos? Con el programa Flex-PaySM de Jackson Hewitt®, el pago de impuestos es fácil y conveniente. Elja entre una gran variedad de opciones, incluido un préstamo Flex LoanSM a 90 días equivalente a pago en efectivo. Consulte a quien prepara sus impuestos sobre cómo el Flex-Pay ProgramSM puede ayudarlo. Se aplican términos y condiciones.

Holiday Earnouts Loan Program

Califique para el programa HELP® y obtenga hasta \$500 sin gastos de bolsillo.* Luego, regrese a Jackson Hewitt cuando deba pagar sus impuestos. Califique para el préstamo RAL o ACR y utilícelo para cancelar su préstamo HELP.

*Sujeto a calificación. El monto máximo de préstamo es \$575 para clientes del año anterior, aprobados con anticipación. \$575 para todos los demás solicitantes. Todos los cargos son descontados del monto de su préstamo. No se requiere contratar la preparación de impuestos.

Todos los productos de crédito son provistos por Santa Barbara Bank & Trust o por HSBC Bank USA, N.A. Sujeto a calificación. Para obtener los términos y condiciones completos, consulte las solicitudes. La mayoría de las oficinas son propiedad y operadas independientemente.

**PREPARED STATEMENT OF ROBERT A. WEINBERGER, VICE PRESIDENT,
GOVERNMENT RELATIONS, H&R BLOCK, KANSAS CITY, KANSAS**



1

**STATEMENT OF H&R BLOCK ON REFUND ANTICIPATION LOANS
AND TAX-RELATED FINANCIAL PRODUCTS
SENATE PERMANENT INVESTIGATIONS SUBCOMMITTEE
FIELD HEARING, ST. PAUL, MN
APRIL 15, 2005**

Mr. Chairman, thank you for the opportunity to present the views of H&R Block on refund anticipation loans and other tax-related financial products.

H&R Block in Minnesota. H&R Block has been in business since 1955 and our roots in Minnesota run deep. Our tax subsidiaries and their franchisees have 205 offices (112 company-owned and 93 franchised) in Minnesota with nearly 1,400 employees who prepared tax returns for over 245,000 state residents last year. That number includes many recipients of the federal Earned Income Tax Credit, bringing over \$111 million into the state in addition to the non-EITC portion of tax refunds, as well as recipients of Minnesota's Working Family Credit.

We are committed to high quality tax return preparation and financial advice. Our preparers undergo extensive training and are bound by a company code of ethics as well as federal rules covering tax preparation services. We assist our clients by—

- filing an accurate tax return;
- obtaining all the credits and deductions to which they are entitled, with a particular focus on low-income taxpayer benefits such as the Earned Income Tax Credit;
- advising them of planning and tax-advantaged savings opportunities;
- providing brochures with basic financial education;
- informing them about key government programs for which they may be eligible such as children's health insurance, programs for women, infant and children's nutrition, food stamps, and school lunches;
- informing low-income seniors of available prescription drug discounts; and
- offering free online tax preparation and filing for thousands of Minnesota residents through the IRS Free File partnership.

We strongly support the IRS's volunteer tax preparation program, in which many of our associates participate and for which we provide training scholarships, and our tax associates work in a variety of community and neighborhood activities.

Refund Loans. A refund anticipation loan (RAL) is money borrowed by a taxpayer from a lender based on the taxpayer's anticipated income tax refund. Banks make the loans, which are facilitated by tax return preparers. The loans are lawful, federally sanctioned, and popular with consumers.

Benefits include speed, convenience, and security. Taxpayers value speed to meet immediate needs or family emergencies. Those without a bank account or unable to secure a conventional loan use RALs to expedite funds, saving 3-8 weeks. Those who do have bank accounts and who file their tax return electronically save about 2 weeks. The product is convenient because tax preparation fees are deducted and taxpayers can receive accurate, professionally prepared returns, with work guaranteed and year-round support available, without up-front payment. Delivery of the loan check at the tax office helps those concerned about mail security.

RALs are extensively regulated by federal lending laws and Internal Revenue Service rules that require borrowers to be fully informed of costs and alternatives. H&R Block's tax professionals advise clients of possible refund delivery times, explain non-bank free IRS options first, and caution clients that less expensive forms of credit may be available.

Faster IRS refund processing, which we strongly support, will reduce the need for RALs. Better enforcement of federal regulations can curb any abuses that may occur. Added regulation may help ensure that the product is offered responsibly by all RAL facilitators, which is why we support higher uniform federal standards.

Informed Consumer Choices

Refund Options. Nationally, 77% of taxpayers received refunds averaging \$2,057 in 2004, according to the IRS. Average refunds for filers using direct deposit were \$2,438, and even higher for those who chose a refund loan. Taxpayers have several options for receipt of funds. H&R Block tax professionals are trained to explain the no-added-fee IRS refund options first:

- Taxpayers who elect to file their returns on paper can receive their IRS refund check via mail in 6-8 weeks or via direct deposit to their bank account in 5-7 weeks.
- Taxpayers who file electronically can receive their IRS check in half that time, about 3 weeks by mail or an average of 12 days by direct deposit if they have a bank account.
- Taxpayers who e-file through a paid tax preparer can receive funds in 8-15 days from a bank, after tax preparation and transaction fees have been deducted, through a Refund Anticipation Check (RAC). The RAC is attractive to those who do not have a bank account but want a speedy refund without a loan and who may be unable to pay the preparation fee at the time of filing.
- Taxpayers who e-file through a paid tax preparer can receive funds in 1-2 days (or within an hour for qualified borrowers) with a RAL from a bank. Fees for the loan, as well as tax preparation, are deducted from the loan proceeds. Some return preparers charge their own administration fee, although H&R Block company offices and most franchisees do not.

Informed Choice. To ensure that consumers understand that they are taking a loan and have an obligation to repay it regardless of the size of their actual IRS refund, H&R Block provides layered disclosures developed in consultation with the former head of the Federal Trade Commission's Bureau of Consumer Protection. We objectively advise clients of their refund options in—

- Our welcoming brochure.
- A plain language "Facts About RALs" document at the tax desk.
- A side-by-side comparison on the computer screen facing the consumer and the tax preparer, showing features of each option, including tradeoffs between cost and speed.
- *The Block Advantage Report*, following the completed tax return, which includes tax and financial tips and which advises clients how to keep more of their refund in their pocket.

In each instance, we advise clients of the no-cost IRS options before discussing options that involve additional fees.

Obligations are fully detailed in the bank's RAL application and disclosure forms, which use the term "loan" or "RAL" (clearly defined as a loan) over 100 times and which comply fully with Truth in Lending Act disclosure requirements, as well as federal and state privacy standards. The application includes the word "LOAN" in the background on page one in clear capital letters measuring 2 x 7.5 inches. IRS rules require that taxpayers understand that RALs are interest bearing loans and not substitutes for or a faster way of receiving a refund. Clients acknowledge understanding that—

- (a) I can file my federal income tax return electronically without obtaining a RAL;
- (b) the IRS will send me a refund check or electronically deposit my refund to my existing bank account;
- (c) the IRS normally sends a refund check by mail within 3 weeks after an electronic filing;
- (d) the IRS normally makes an electronic deposit in an average of about 12 days after an electronic filing;

- (e) [the bank] tries to make proceeds of an Instant RAL available on the day of application and a Classic RAL available on the first business day after application;
- (f) [the bank] cannot guarantee when any proceeds of a RAL or an IRS refund will be available to me; and
- (g) a RAL may cost substantially more than other sources of credit, and I may want to consider using other sources of credit.

Surveys show significant customer satisfaction and we receive few complaints. RAL clients return the following year in higher percentages than those with similar incomes who do not take a RAL. While eight of ten H&R Block clients do not choose a RAL, customer demand is strong among those who do.

Why do clients request RALs? Beyond speed, convenience, and security—

- RALs meet seasonal needs. For many consumers it is a once-a-year chance to get caught up and pay pressing medical, holiday, heating, car repair, or tuition bills.
- RALs provide quick closure by relieving emotional stress at tax time, especially for those who may not trust the IRS with bank account numbers or mail delivery.
- RALs serve the unbanked. Other credit may not be available. Most banks or thrifts will only make longer-term loans, usually for existing customers, often after charging for a credit check or application fee. Half of our RAL customers do not have checking accounts, most do not qualify for a conventional bank loan, and many do not have credit cards.

RAL Costs and Risks

RAL Costs. Viewed in *annual* percentage interest rates, RALs appear costly. But RALs are a specialized credit product — essentially a loan for 11 days, not 365 days. The cost of a \$3,000 RAL in Minnesota is \$99.95. That consists of a \$75 finance charge and a \$24.95 account set-up fee, both paid to the bank. The loan would cost 3.3% of the refund amount and have a 114% APR.

Why are RALs more expensive than some other sources of credit? Bank lenders indicate several factors influence their prices:

- Costs are high. The cost of processing the RAL application, setting up a bank account, training customer service personnel, and originating and administering the loan is similar whether a loan is for one day or one year.
- There is a risk of default if the IRS reduces the refund by offsetting delinquent federal or state taxes, unpaid student loans or child support, or nonpayment of other federal debts. The risk is reduced when the IRS advises of pending offsets through an electronic debt indicator, but the IRS does not guarantee that all offsets have been identified.
- There is an additional risk of default when refunds are frozen, only partially paid, or denied as eligibility and fraud issues are resolved. Over 1.2 million returns will be resequenced—or delayed for review—in 2005 for “revenue protection” reasons. First time e-filers and Earned Income Tax Credit claimants receive special scrutiny. Because as many as a third of EITC claims are questionable, 360,000 EITC returns will undergo pre-refund audits. Lenders have no advance notification of these delays or denials.
- There is added risk of disruption and loss because most RALs are made at the start of a tax season when more IRS processing problems occur. For example, three years ago the IRS erroneously dropped the two last digits of taxpayers’ Social Security numbers in administering the debt indicator, a mistake that took two weeks to fix and that tripled the amount of bad debt compared to the rest of the tax filing season.
- It is a once-a-year transaction in which the bank does not have personal contact with the borrower and the borrower may be difficult to locate in case of default. One bank reported loan losses 4-5 times higher than the rest of its portfolio with losses averaging \$20 per loan.

As a result, refund loans involve genuine risk.

Cost Comparisons. The lending bank we use has a finance charge ranging from \$5 to \$85 for a “Classic RAL,” in addition to a bank account set-up fee, for loan amounts from \$200 to \$9,999. These fees are computed as the cost of an 11-day loan, which makes the prominently disclosed annual percentage interest rate high. Studies show many borrowers, however, focus on the dollar amount of the fee rather than on the annual interest rate. They accept the fees as a cost of speed and convenience.

The \$99.95 cost for a \$3,000 RAL can be compared to alternative credit transactions: a \$3,000 credit card cash advance would cost \$110; three credit card late fees for \$3,000 in arrears would cost \$122; three bounced checks, with bank and merchant fees, would cost \$165. Some of these alternatives have the added penalty of impairing a consumer's credit rating.

Viewed not as a credit cost but as a convenience fee, RALs can be compared to a choice between sending a letter by overnight delivery compared to regular mail (\$13.65 vs. 37¢). The wire transfer of funds via Western Union—for a service fee and with zero credit risk—can cost as much as a RAL (\$139 for \$3,000). Even the IRS charges a minimum service fee of \$43 to set up an installment agreement for monthly late payments (not including interest or penalties), and a \$150 user fee to process Offers in Compromise. For taxpayers using a credit card to pay a balance due to the IRS, there is a 2.5% convenience fee, or \$75 (not including credit card interest), for a \$3,000 balance due. The U.S. Passport Agency charges \$85 for regular 6-week delivery but double that, \$173, for expedited service with overnight delivery. Added fees for speed or convenience are a well established feature of our economy, as convenience stores, ATMs, and one-hour photo services show.

Extensive Existing RAL Regulation

Lending Laws Regulate RALs. Fees and interest rates charged by refund anticipation lenders are regulated under the National Bank Act, the Home Owners' Loan Act, or by authorities in a financial institution's home state, which permits interest rates to be exported to other states.

The Truth in Lending Act and the Federal Reserve Board's Regulation Z require full and uniform disclosure of annual percentage rates and finance charges and regulate calculations of annual interest rates, oral disclosures, and advertising of credit terms. Inconsistent state laws are preempted. The stated purpose of Reg Z is “to promote the informed use of consumer credit by requiring disclosures about its terms and cost.”

IRS Regulates RAL Facilitation. The IRS extensively regulates RALs through Revenue Procedure 2000-31 and five IRS publications, including Publications 1345 and 3112. A tax return preparer who is an electronic return originator (ERO) cannot also be a lender. In addition, most e-filers must undergo an FBI criminal background check, fingerprinting, verification that they have filed individual and business tax returns and paid balances due, and a history check of any prior noncompliance with IRS e-filing programs. Violators are subject to suspension from the e-filing program by the IRS. Advertising is regulated, deceptive practices are prohibited, and RAL facilitation fees are regulated. All tax preparers are subject to laws covering fraud, misrepresentation, diligence, etc., and they can be enjoined from misconduct. Tax preparers who represent taxpayers before the IRS are subject to suspension and additional rules.

Specifically, for example, IRS rules require that the provider must —

- “advise taxpayers that RALs are interest bearing loans and not a quicker way of receiving their refunds from the IRS” and “ensure that taxpayers understand that by agreeing to a RAL ... they will not receive their refund from the IRS as the IRS will send their refund to the financial institution.”

- “advise taxpayers that if a Direct Deposit is not received within the expected time frame for whatever reason, the taxpayer may be liable to the lender for additional interest and other fees, as applicable for the RAL...”
- “advise taxpayers of all fees and known deductions to be paid from their refund and the remaining amount the taxpayer will actually receive.”
- Fees charged by EROs are regulated: they must be the same for all customers and not related to the refund amount or RAL or any figure from the tax return; separate fees may not be charged for direct deposits.
- Advertising, marketing and promotion are regulated: the use of any form of public communication that contains false, fraudulent, misleading, deceptive, unduly influencing, coercive or unfair statements or claims is prohibited.
- Tax preparers who are e-filers must undergo annual suitability checks.
- Tax preparers that violate these provisions can be sanctioned for three levels of infraction including suspension or expulsion from the e-filing program—approval for which is essential to facilitate a RAL.
- The Internal Revenue Code also sets related tax preparer penalties for understating tax liabilities (§6694); negotiating a client’s refund check (§6695); failing to sign a return, provide a copy to the client, retain a copy of the return, or furnish a preparer’s identification number (§6695); unauthorized disclosure or use of tax return information (§6713 and §7216); and preparing a false or fraudulent return (§7206(2)).

IRS Role. RALs were developed in the mid-1980s by a bank in tandem with the IRS’s e-filing program and helped fuel its early growth: as many as 90% of early e-filed returns involved a RAL. Today, about 26% of taxpayers who e-file use a refund-related bank product and about 7% of all taxpayers use a RAL. RALs could not function without IRS cooperation. The IRS sanctions RALs for several reasons: to honor the taxpayer’s choice; to provide a clean, regulated alternative to back-alley discounting of tax refunds (a practice, widespread before the advent of RALs, in which undisclosed interest rates could exceed 3,000% APR with no consumer protections); and to reach the congressionally-mandated goal of 80% of all tax returns being e-filed by 2007—obtaining a faster refund is a compelling incentive for taxpayers to e-file, and RALs deliver funds even faster.

Future Direction

Diminishing Issue. RALs exist because of overwithholding and slow government processing of tax refunds. As part of its computer modernization program, the IRS has begun to introduce a new customer account data engine (CADE), which has the potential to deliver refunds more rapidly, initially to filers of the simplest returns. Over the next few years, increasing numbers of 1040 filers will receive their refunds more quickly. Quicker refunds will reduce the need for short-term loans, a development H&R Block supports as a solid plus for the tax system and for taxpayers.

In 2005, a unique public-private partnership to reduce the cost and burden of tax preparation has again offered all Minnesota taxpayers *free* online tax preparation and filing at www.irs.gov. H&R Block’s *Online Tax Program* is among the programs featured. Online filing that speeds refunds may diminish the need for loans.

We are also assisting many “unbanked” clients in connecting to low-cost basic accounts, which may also reduce the need for refund-related bank products by allowing direct deposit of refunds. We are testing basic banking accounts in seven cities in 2005 and hope to broaden the program next year.

Legislation. Because of bank laws and court decisions, states cannot regulate interest rates of national or out-of-state banks and thrifts, but five states (including Minnesota), two counties (Westchester and Nassau, NY), and the cities of New York and Seattle have adopted laws requiring disclosures by RAL facilitators, in some cases duplicating or providing variations on federal requirements. Illinois, for example, requires the annual percentage interest rate to be

given for a 10-day loan period, although the federal Truth in Lending Act requires that the APR be stated for the actual, truthful time, which is 11 days. Other states are considering RAL legislation.

Federal legislation, adopted by the Senate in May, 2004, would require registration of all RAL facilitators, disclosures of loan terms and alternatives, and penalties for noncompliance. It will be reconsidered in the current Congress. This legislation would follow eight federal laws and IRS rules that apply to refund anticipation loans and their facilitation. We request that a summary of them be included in the record following this statement.

We favor high standards of disclosure and responsible practices in offering refund-related bank products, as our own multiple disclosures—developed in consultation with consumer groups and former federal officials—attest. We support strong IRS rules and welcome appropriate federal legislation as preferable to repetitive or conflicting disclosures, however well intentioned, from state or local governments that may confuse, more than protect, taxpayers.

Peace of Mind

The Subcommittee staff has reviewed a number of our tax-related financial products and asked additional questions about the Peace of Mind (POM) Extended Service Plan.

POM is an extended guarantee. Our Standard Guarantee includes client assistance in answering questions about the preparation of a return in an audit and payment of any penalties and interest assessed due to an error by an H&R Block tax return preparer. Peace of Mind extends this guarantee to include representation at any audit (with power of attorney) by an H&R Block Enrolled Agent and payment of additional federal, state, or local taxes, up to \$5,000, due to an H&R Block tax return preparer's error. The product costs \$27. Clients have a seven-day money back guarantee if they wish to rescind the plan for any reason.

Client Benefits. Our clients see value in Peace of Mind for several reasons: (1) consultation with an expert and the assurance of active professional representation at an audit; (2) the security of knowing that additional taxes owed due to a preparer error will be taken care of; and (3) reduction of the anxiety often associated with the tax filing process and the IRS's review of returns. Clients who purchase POM have a much higher level of retention compared to H&R Block clients who do not, reflecting high levels of satisfaction with the product. Peace of Mind is most popular in client segments with more complicated returns and the highest IRS audit rates.

Process Enhancements. We offer POM consistent with keeping our clients' interest first. We have made process changes over several years as part of those efforts: enhanced training materials; fuller and clearer explanations of the product's costs and features; and a computerized process to ensure that the product is explained to all of our clients but "pushed" on none.

The tax professional is aided by two computer screens that allow a full explanation of the Standard Guarantee and POM. Clients are then given the choice to purchase POM. They can decline or affirm their choice by signing the POM agreement. Thus, two "opt-ins" are required before any purchase and there is a seven-day money-back "opt-out" opportunity after the purchase.

This process is designed to ensure that all clients are given the choice to make a fully informed decision about POM. Our tax preparers receive a small payment when POM is chosen to compensate them for the time taken, but our management has made it clear that there is no demand that tax professionals sell more. Our procedures reflect changes reviewed and approved by a group of state attorneys general.

Mr. Chairman, we appreciate the opportunity to share our views and welcome any questions.

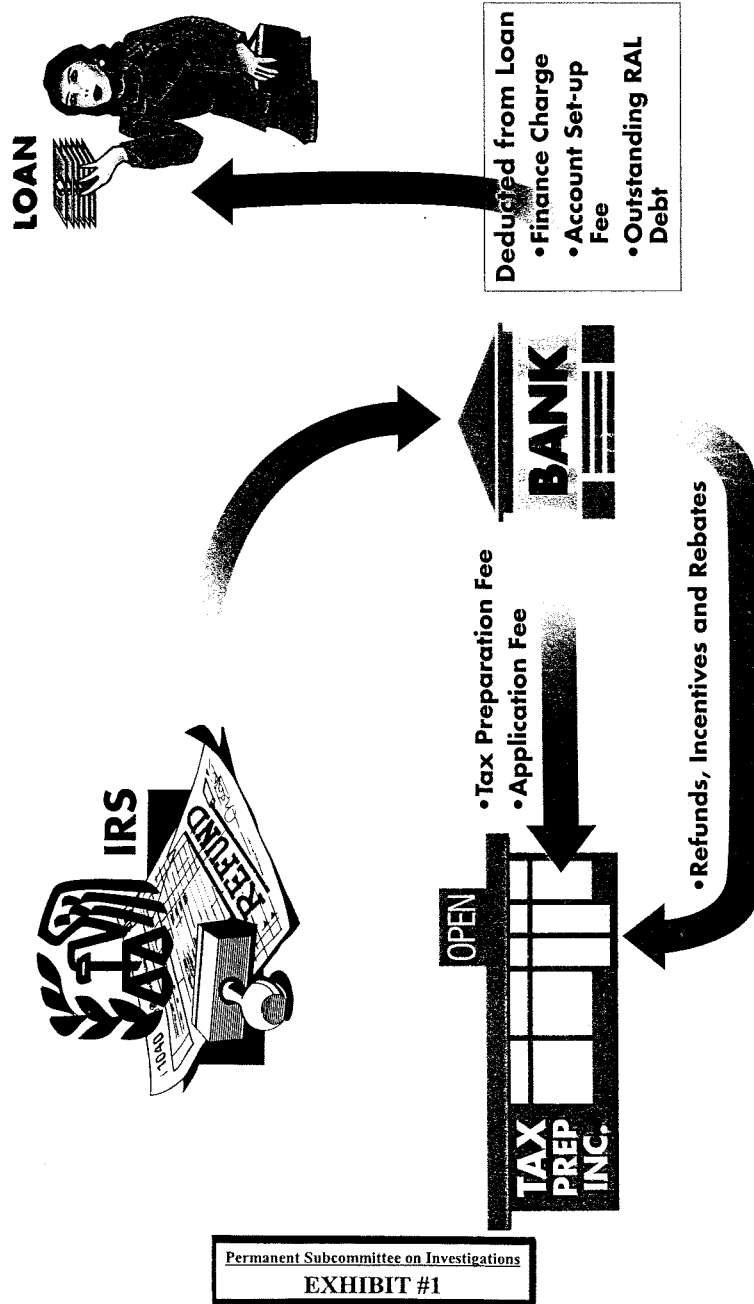
 H&R BLOCK

**SUMMARY OF H&R BLOCK TESTIMONY ON REFUND LOANS AND TAX-RELATED PRODUCTS
SENATE PERMANENT INVESTIGATIONS SUBCOMMITTEE FIELD HEARING
ST. PAUL, MN, APRIL 15, 2005**

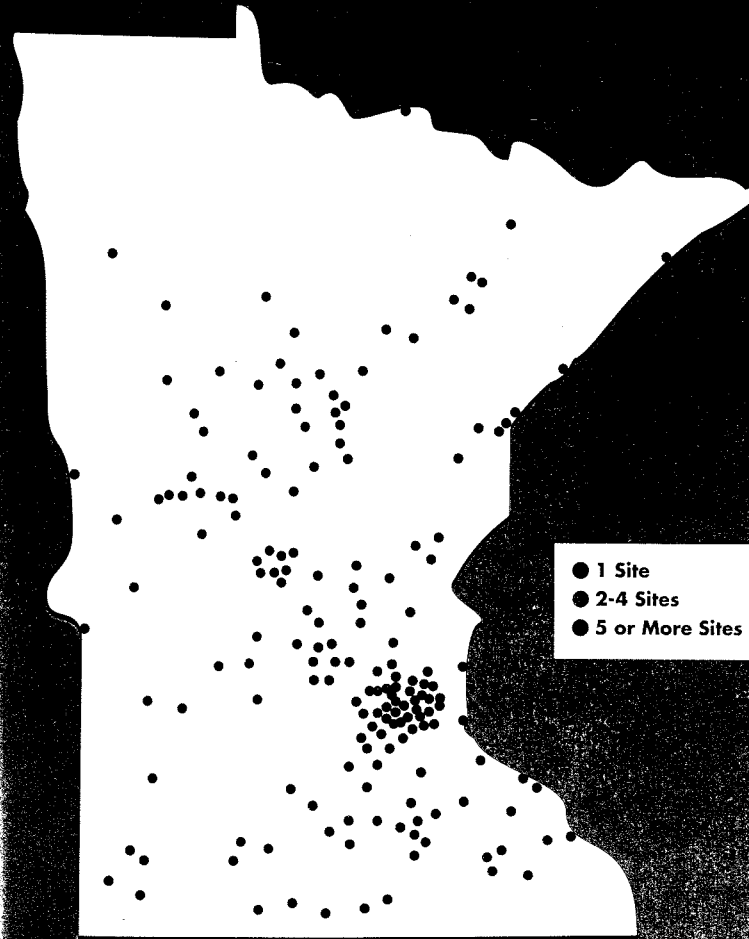
- **Block Background.** H&R Block, founded in 1955, has 205 offices in MN with 1,400 employees who prepare returns for over 245,000 Minnesota residents. H&R Block return preparers average 3 years experience and over 225 hours training.
- **Block Services.** Block services also include financial education; alerts on key government benefits (like Food Stamps and children's health insurance); tax-advantaged savings opportunities for retirement; and free online tax prep and filing for Minnesota taxpayers through the IRS's Free File Alliance.
- **RAL Benefits.** Through a bank partner, we offer refund loans that provide speed, convenience, and security to taxpayers who want funds faster than IRS delivery. Loans save 3-8 weeks for those without bank accounts and about 2 weeks for those with accounts; all fees are deducted.
- **RAL Costs.** RALs are more expensive than some forms of credit. Costs include a \$24.95 bank account set-up fee and a \$5-\$85 finance charge for loans ranging from \$200-\$10,000. At H&R Block corporate offices a \$3,000 loan costs \$99.95 (3.3% of the refund amount) with a 114% APR. RALs can be less costly and less damaging to a consumer's credit rating than alternatives such as late payments, bounced checks, credit card advances, or payday loans.
- **Full Disclosures.** We ensure that consumers are fully informed of all options and costs, presenting free alternatives first. Our disclosures, developed with the former head of the Federal Trade Commission's Bureau of Consumer Protection, include a "Facts About RALs" document and a side-by-side comparison on the tax prep computer screen. Client satisfaction is high.
- **Regulation.** Bank lending is regulated by the federal government. The IRS regulates tax return preparers and electronic return originators, including RAL facilitators, who undergo criminal background and tax filing checks. Advertising is regulated. Deceptive practices are prohibited. Penalties are provided. Consumers must be informed that RALs are not refunds, that they are responsible for payment if the IRS does not issue a full refund, etc.
- **Legislation.** Minnesota has enacted RAL legislation which is working well. We advocate federal legislation to achieve uniform national standards.
- **Peace of Mind.** H&R Block offers an extended service guarantee that is a proven value to our clients including audit representation and limited payment of tax liability resulting from our error. Our policies ensure that clients can make informed decisions, without pressure, about their need for added coverage.

Celebrating its 50th anniversary in 2005, H&R Block is the world's largest tax services provider, having served more than 400 million clients since 1955. The sixth largest retailer in the world, H&R Block has more than 12,500 locations serving taxpayers in the United States, Canada, Australia and other countries. Headquartered in Kansas City, H&R Block served more than 19 million U.S. clients during fiscal year 2004 at approximately 10,000 H&R Block retail offices worldwide and through software and online services. Over 167,000 company and franchise employees deliver tax services including preparation of one out of seven individual tax returns filed with the IRS. H&R Block tax schools trained 250,000 students including 84,000 enrolled in a 66-hour basic tax course. H&R Block served 3.2 million tax clients through its *TaxCut®* software and through online tax preparation services. H&R Block's subsidiaries also deliver financial advice, investment and mortgage services, and business accounting and consulting services. H&R Block Financial Advisors Inc., headquartered in Michigan, offers investment services and securities products. With approximately 1,000 financial advisors serving clients at approximately 270 branch offices, H&R Block Financial Advisors is a member NYSE, SIPC, a registered broker-dealer and investment advisor. H&R Block Inc. is not a registered broker-dealer and is not a registered investment advisor. H&R Block Mortgage Corp. offers a full range of retail mortgage services. Option One Mortgage Corp., headquartered in California, provides mortgage services and offers wholesale mortgages through large financial institutions and a network of 24,000 independent mortgage brokers. RSM McGladrey Business Services Inc., headquartered in Minnesota, and its subsidiaries serve mid-sized businesses and their owners with tax, accounting and business consulting services, as well as personal wealth management services. H&R Block Small Business Resources, operating in 14 U.S. cities, serves the tax, financial and business needs of small business owners. H&R Block Small Business Resources is not a licensed CPA firm.

Refund Anticipation Loan Process

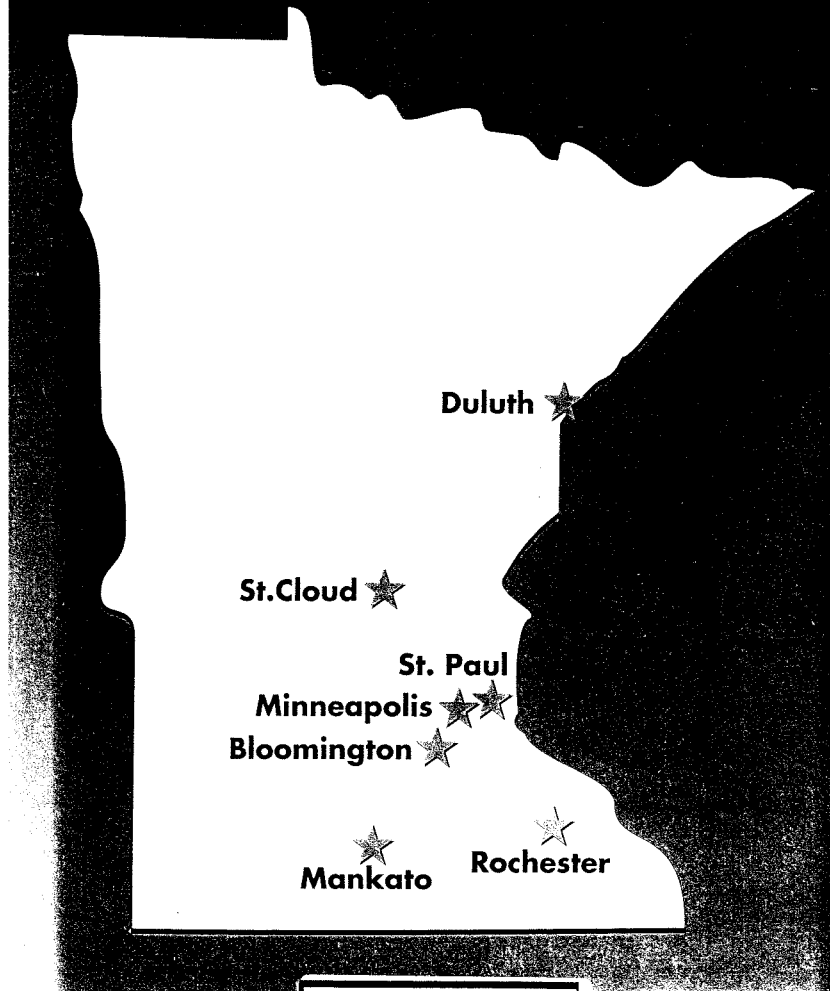


Voluntary Income Tax Assistance (VITA) Sites in Minnesota



Permanent Subcommittee on Investigations
EXHIBIT #2

IRS Tax Assistance Centers in Minnesota



Permanent Subcommittee on Investigations
EXHIBIT #3

Free File Home - Your Link to Free Online Filing



Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

Free File Home - Your Link to Free Online Filing



Whoever said there is no such thing as a free lunch may have been right. But for millions of eligible taxpayers this year, there is Free File. Free File is online tax preparation and electronic filing through a partnership agreement between the IRS and the Free File Alliance, LLC. In other words, you can e-file... free.

Before Getting Started...

A few points are worth noting. For instance, if you qualify, you can prepare and file your federal tax return using Free File. But you may have to pay to file your state return. You are under no obligation to buy any products or services. When choosing a company, be sure to link to their Web site through IRS.gov. By going directly to a company's Web site, you may not get the free offer.

Step by Step Instructions

Easy instructions for selecting a company or service.

Help Center and FAQs

Frequently Asked Questions (FAQs) and how taxpayers benefit.



My Government. My Terms.

<http://www.irs.gov/efile/article/0,,id=118986,00.html>

Permanent Subcommittee on Investigations

EXHIBIT #4

After completion, the office manager should discuss the evaluation to reinforce positive results and offer guidance for ratings below expectations.

Quality Interview – Value-Added Closing

Rate each category from 0-5, based on the following criteria:

5	4	3	2	1
Exceeds expectations	Meets +	Meets expectations	Meets (needs minor improvement)	Need major improvement

Print name: Paul Eckelbaum Date: 3/27/00

Office #: # 17 Office Manager: Ford

5 Block Way –
Welcome introduction

5 Made to feel comfortable

5 Block Way explained

4 Inquired about refund/balance due expectations

5 Quality Interview –
Follows WinTPS logically

5 Searches for lowest legal liability

5 Successfully offered Refund Rewards

5 Obtained signature on Guarantee Certificate

5 Value-Added Close –
Explain what they did

5 Offered business card

5 Explained year-round service

5 Received payment or withholding for full, correct fee

 POM – Peace of Mind properly offered, explained, and accepted

 Total

 Total (divide by 4)

I have read and understand the evaluation. _____

Associate Signature

I have discussed the evaluation with associate. Richard E. Ford

Office Manager Signature

MAR 17 '05 18:40 HAVE A GREAT DAY

P.C. 4

H&R BLOCK®

Liz,
 I believe that it is ethically & morally
 wrong to do this - and I will not.

Pat Eckelberry

Intra-Company Correspondence

FROM: Constance Hanson, DM
 Liz Weber, ADM

DATE: March 9, 2000

TO: All Tax Preparers'

SUBJECT: POM

Peace of Mind is a very important product offered to **ALL** clients of H&R Block. It is necessary that the POM is fully explained to all clients. A personal endorsement of this product is required and expected of our associates "I personally recommend our Peace of Mind guarantee. The Peace of Mind will pay any additional taxes due, up to \$4000.00, if the IRS changes the return due to our interpretation of the tax law, further more it protects...." It is only fair to our clients to know that we offer this **OUTSTANDING** product and that you **PERSONALLY** endorse the product.

We should consider it mandatory for **ALL** client returns to include Peace of Mind. If they do not wish to purchase it at that point **THEN** and only then will we remove the Peace of Mind Guarantee and the \$20 fee.

PROCEDURE

Include POM charge in every billing. Explain to the client (must be explained the current billing includes the guarantee)....

"Your fee is \$XXX.XX which includes our Peace of Mind guarantee. I personally recommend the POM, the \$20.00 guarantee pays any additional taxes due, up to \$4000.00, if the IRS changes the return due to our interpretation of the law. In addition it protects you against human error and computer glitches."

If at this point they are not interested in the product, have them initial the Service Guarantee stating they do not accept the POM and remove the \$20.00 charge from their billing.

Upon acceptance of the POM have them initial the Service Guarantee stating they do want the POM and continue as usual.

Thank you for your assistance in assuring all our clients receive the maximum service we have to offer at H&R Block. If you have any questions please contact your manager.

Liz

Permanent Subcommittee on Investigations

EXHIBIT #6

Statement For The Record
of
MAERINE HENDERSON

U. S. Senate Permanent Subcommittee on Investigations
St. Paul, Minnesota Field Hearing
Hearing On
Tax Related Financial Products Can Be Costly

April 15, 2005

My name is Maerine Henderson. I am a working mother with four children. This year I had my taxes prepared by Jackson Hewitt at 927 West Broadway in Minneapolis. I would like to tell you about my experience in having my taxes prepared.

I made an appointment with someone in Jackson Hewitt's office in January 2005 to have my taxes prepared. The agent asked if I wanted to apply for "same day funds". I asked, "What exactly does that mean?" She responded by saying, "You can get your money the same day if you qualify." I told the agent that I had gone to H & R Block in the past, but never qualified for same day funds. She said she would try it anyway. After asking a series of personal questions, she said that I qualified for the RAL which I later found out was a Refund Anticipation Loan.

I told her yes I wanted same day funds because who does not want their money back the same day if you can get it? This is especially true when you are a single mother with four kids who has waited a whole year to file.

I asked if there was direct deposit for that transaction. She said no, not for the RAL but if I wanted the RAC (Refund Anticipation Check) that would take from 14 to 21 days. She also told me that if I chose to go the RAL route I could receive a Master Card. She convinced me that the Master Card would cut down on my standing in long lines and avoid check cashing fees at the bank and other check cashing facilities. She told me how to activate the card and that the funds would be on the card within twenty-four to forty-eight hours. She went on to say that in the past others had gotten their funds within an hour after processing. She said that I could even use their phone to call and have the card activated while in Jackson Hewitt's office.

After leaving their office, I tried calling the activation number for the Master Card and a third of funds were there. The balance was added the next day. After checking the balance, the agent called the same day and said that I should check the balance because I should have the funds on the card. She also said that my state refund would go onto the Master Card, but that did not happen. I received a check in the mail from the State of Minnesota two to three days later.

Permanent Subcommittee on Investigations

EXHIBIT #7

The total cost charged to me was **\$386.00**. I wasn't told the total amount until after my information had gone into Jackson Hewitt's computer system and the loan had been approved for same day cash. The paperwork was printing and awaiting my signature and I was under the impression that having made my choice it was too late to back out of it. And the agent never said I could back out of it.

Since then, I have tried the Master Card at a gas station to utilize the balance on the card. The transaction was denied because the card was unreadable. They did not tell me that the card expired in three months and that I could not put more funds onto the card.

I always thought or was under the impression that tax preparers are supposed to serve their clients by finding the maximum benefits and credits for their clients, including the best refund method. They are the experts but they gave me no personal advice as to what would be best for me. They charged me a lot of money for their service but frankly I don't think I got my money's worth. After this experience, I would rather wait a month than pay three hundred eighty-six dollars ever again to gain fast money. Like they say, "Everything that sounds good is not always good."

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**Statement by Mr. Richard Turner
RAL Program Director
Santa Barbara Bank & Trust**

**to the Permanent Subcommittee on Investigations
of the Homeland Security and Governmental Affairs Committee
of the United States Senate
April 15, 2005**

Mr. Chairman and Members of the Subcommittee:

My name is Rich Turner. I am the RAL Program Director for Santa Barbara Bank & Trust. I would like to thank you for allowing us to submit this statement for the Hearing Record.

Santa Barbara Bank & Trust has been since its founding in 1960 a community-oriented, independent financial institution. We have grown, but grown locally along California's unique Central Coast. And that's the way we like it. Today we deliver personalized services through our 47 community branches. We pride ourselves on knowing our community and its needs, and credit our strength and success to this understanding.

We have been offering Refund Anticipation Loans (RALs) and Refund Transfers (RTs) since 1992. Both products are basically payment mechanisms that allow a taxpayer to pay their tax preparer out of their refund, and to receive the balance of their federal tax refund in a quick and convenient manner. The RAL allows a customer to get the amount of his or her refund, minus fees, often within minutes of filing a tax return, by taking out a short-term loan. Our RT allows taxpayers who deposit their funds with SBBT the ability to receive their refund (often within 7 to 14 days), minus fees, in one of several methods (including through a cashier's check, cash card, or direct deposit).

We believe these bank products fill an important need in many communities and for many families, are sold appropriately, are priced fairly, and help achieve important public policy goals like ensuring those eligible for the EITC receive it, and helping the I.R.S. attain its online filing goals.

These are extremely popular products. Each year, we have more and more new customers using these products. The growing popularity of our products demonstrates that we are meeting a specific need in the consumer marketplace. And the fact that so many of our customers return each year demonstrates that consumers who use our products perceive that they receive a good value for the cost. We pride ourselves on providing excellent customer service and product support.

Permanent Subcommittee on Investigations

EXHIBIT #8

Page Two

The RAL, in particular, can fill an urgent need for some families. You and I may never need a RAL, but many of the people who apply for these short-term loans are in a much different position. These taxpayers might use their RAL proceeds to pay rent, repair an automobile, or take care of an urgently-needed plumbing repair. Indeed, if the RAL were suddenly not available, we believe there would be a large number of very unhappy taxpayers.

We actually had an example of this when one of our business partners decided to remove the RAL option from their Internet-based consumer software package in 2002. When the next tax season rolled around, our customer service department was deluged with calls from prior year RAL customers trying to find the page where the RAL had been offered. And these customers were generally higher-income taxpayers who use software to prepare their returns themselves.

The truth is that customers are overwhelmingly appreciative of these products. Such few complaints as there are tend to come from people who are denied a RAL.

We work very hard to ensure that our products are offered and sold properly. And the argument made by some that low-income EITC consumers are too often sold RALs is simply not supported by the facts. On the contrary, EITC filers were actually less likely to choose a RAL than non-EITC filers. In fact, given that EITC filers already have a host of reasons which could well make them more likely to need a RAL (like more immediate cash needs for things like rent, auto maintenance, etc.), one might reasonably expect to see a disproportionate number of EITC filers choosing RALs, but that is not the case.

If consumers in general believed the RAL was simply a rapid refund, and did not understand it was a loan with costs, then many more taxpayers would choose a RAL, but they do not. In fact, the data shows that an overwhelming majority of taxpayers, including EITC recipients, choose to get their refunds directly from the IRS and do not choose a bank product at all. In fact, the decision about whether or not to choose a bank product in these situations is considered and very individual, as it should be and as our program is designed to ensure that it is.

We believe taxpayers know what they are getting, and we believe they have the right to make that choice based on their individual needs and calculus.

The RAL is not a payday loan. A taxpayer can only get one RAL per year, and it cannot be rolled over like a payday loan. A taxpayer cannot accrue additional charges. A taxpayer pays one finance charge regardless of how long it takes to pay off the RAL. And the finance charge is reasonable, especially compared to the fees charged for non-risk transactions such as wire transfers or ATM service.

Page Three

For instance, the average fee for a \$3000 RAL is \$100. That equals an annual interest rate of 3.3%. However, because we are required to disclose APR using an 11-day repayment period, the APR is theoretically and artificially inflated to 115%. This inflated APR is the number our critics cite when they argue that the RAL costs too much. But regardless of what that APR is, the customer only pays a 3.3% fee for the use of that money. Compare this to the approximately \$140 typically charged to wire transfer \$3000, or the approximately \$150 it would cost to withdraw \$3000 from ATM machines in \$30 increments. Both of these are risk-free transactions. The RAL is not a risk free transaction, but through a lot of hard work and rigorous program controls, we are able to offer the RAL, at a reasonable price, to the vast majority of those who want one.

Finally, our products have helped the IRS achieve its goal of having all tax returns e-filed, and our products have allowed taxpayers to access professional services that can help them learn about and claim their EITC by providing a “no money out of pocket” method for paying for these services. And this is happening at a time when \$4 billion in these credits go unclaimed each year because taxpayers either don’t know about the EITC or don’t know how to claim it. Our products provide a real-world solution to these issues.

In closing, we are very proud of the high-quality, well-priced products and services we offer to our customers, and we thank you very much for the opportunity to submit this statement for the Hearing Record.

STATEMENT OF HSBC

BEFORE

THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

FOR THE RECORD OF ITS APRIL 15, 2005, HEARING ON TAX-RELATED FINANCIAL PRODUCTS

ST. PAUL, MN

I. INTRODUCTION

HSBC appreciates the opportunity to submit this written statement for the record of the April 15, 2005, hearing of the Senate Committee on Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations on tax-related financial products.

HSBC Taxpayer Financial Services ("HSBC TFS") is a leading U.S. servicer of tax-related financial products offered to consumers through professional tax preparers. Serving customers with a variety of tax-related financial products, HSBC products offer consumers quick and convenient access to funds in the amount of their anticipated tax refund.

To help ensure high standards of responsible lending, HSBC TFS provides industry-leading compliance programs for its tax preparer facilitators. Key elements of the HSBC TFS compliance programs include mandatory compliance training and on-going compliance monitoring to help ensure that our customers are treated fairly and have a positive experience. Additionally, access to free consumer financial education resources and a 48-hour satisfaction guarantee are offered to customers, which further enhance the compliance and customer service efforts.

II. HSBC TAXPAYER FINANCIAL SERVICES OVERVIEW

HSBC TFS wishes to provide the Subcommittee with background information on the RALs and tax-related products. For this purpose, attached is a presentation providing a business overview of HSBC TFS. The high-level presentation discusses tax-related products, including RALs and RACs (refund anticipation checks), serviced by HSBC TFS as well as additional background information on HSBC TFS programs and the market in general.

For further information, please contact Paul Creatura, CEO and Managing Director, HSBC Taxpayer Financial Services, at (908) 203-4441.

Permanent Subcommittee on Investigations

EXHIBIT #9



Business Overview HSBC Taxpayer Financial Services

**U.S. Senate
Permanent Subcommittee on Investigations**

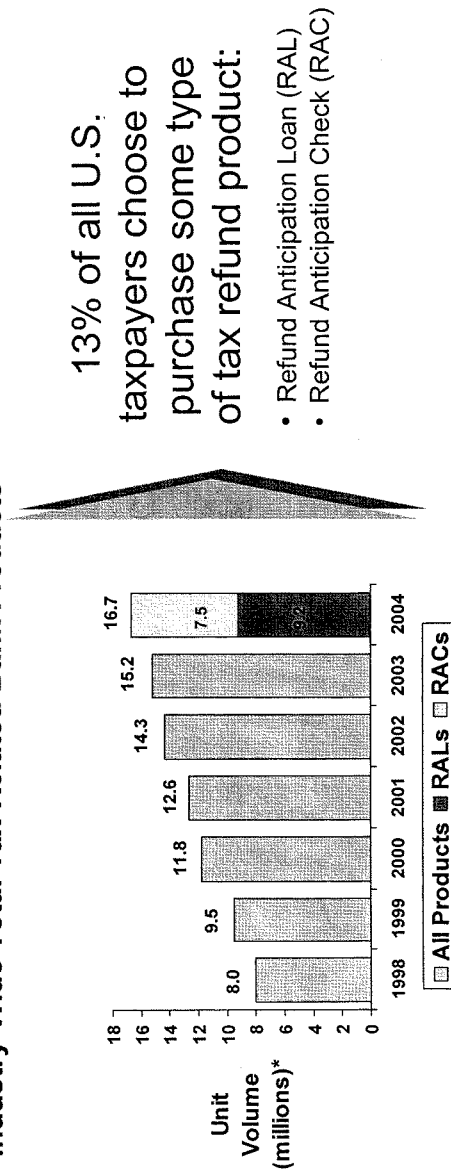
April, 2005

Tax-Related Services Industry Overview

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Tax-related refund products: requested by taxpayers with demand continuing to grow industry-wide

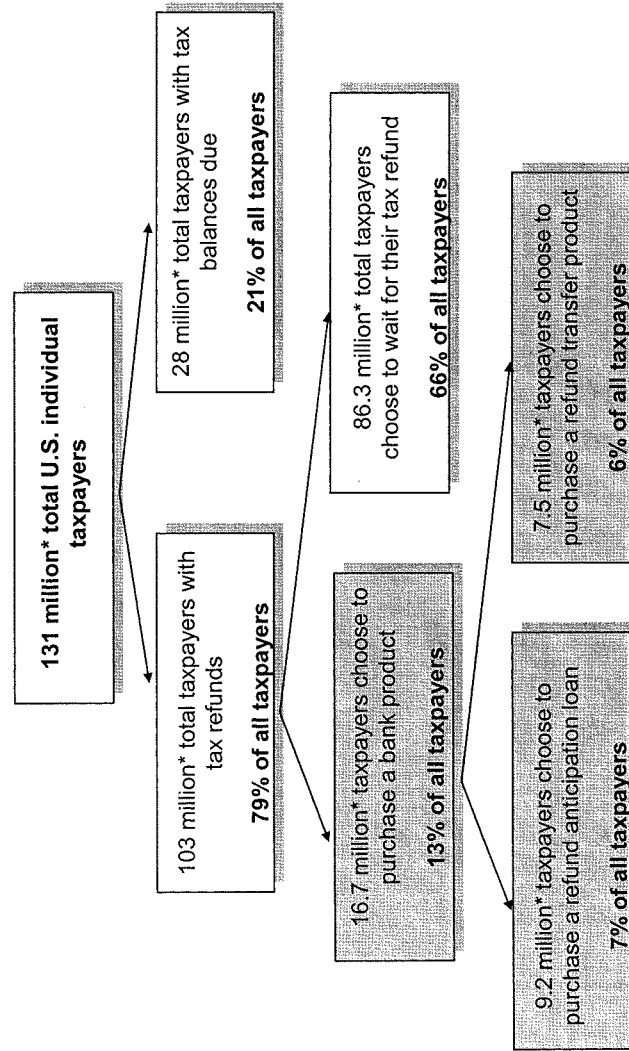
Industry-Wide Total Tax-Related Bank Products



* Estimates from industry sources



Industry-wide, annual RAL customers make up only a small percentage of total U.S. individual taxpayers



* Estimates from IRS and industry sources



HSBC Taxpayer Financial Services Business Overview

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HSBC products: Refund Anticipation Loans (RAL)

Amounts

- ▶ HSBC RALs are offered up to \$9,999 based on the customer's federal income tax refund

Appeal

- ▶ *Speed:* customers need their tax refund faster than the IRS can deliver
- ▶ *Convenience:* RAL and tax prep fees deducted from RAL proceeds
- ▶ *Safety:* customers like to receive refund amount directly from the preparer, and not put the check at risk of being lost or stolen

Pricing

- ▶ RAL fees average about \$85.00, with a typical range of \$29.95 to \$109.95
- ▶ RAL fees are based on the loan amount (i.e. smaller loan, lower fee). Examples:
 - \$29.95 for a \$500 loan
 - \$109.95 for a \$9,999 loan

Loan Process

- ▶ Loan approved after credit risk evaluation at the time return is prepared by tax preparer and receipt of IRS acknowledgement

Bad Loan Losses

- ▶ Associated with customers who submit inaccurate or fraudulent tax returns, largely:
 - Earned Income Tax Credit filing irregularities and discrepancies
 - Customers with prior IRS or other quasi-governmental liens
 - Errors in IRS processing
 - Customers under IRS review



HSBC products: additional tax-related products

Refund Anticipation Checks (RAC)

- ▶ Not a loan, delivers tax refund amounts in about 11 days via a check or direct deposit
- ▶ Product appeal:
 - Easy and convenient
 - RAC and tax prep fees deducted from tax refund proceeds
 - Economical: with a typical fee of \$24.95, it's less expensive than a RAL, but faster than the IRS can deliver a mailed refund
 - For taxpayers without bank relationships, RACs can provide much faster access to refund amounts

TaxLine Balance Due

- ▶ Revolving loan to cover all or part of a taxpayer's balance due to the IRS
- ▶ Annual fee as low as \$19.95 with a rate of Prime plus 14.9%
- ▶ No interest charge if the loan advance for taxes is paid within 90 days
- ▶ Product appeal:
 - Easy and convenient
 - Lower cost compared to credit-card cash advance or the IRS installment plan
 - Reduces stress of paying your taxes



HSBC RAL costs compare well to other types of short-term financial options customers often consider

Short-term Cash-flow Option Comparison

Short-Term Financial Solution		Average Fee	Average "Loan"	Cost Per \$100
Penalties	Bounced check fees	\$40.00	\$100	\$40.00
	Late payment on a credit card	\$29.00	\$80	\$36.25
	Late mortgage or installment loan	5%	-	\$5.00
Advances / Loans	Pay day loan	\$20.00	\$100	\$20.00
	Cash advance on a credit card	3% + int.	-	\$3.56
	Refund Anticipation Loan	\$85.00	\$2,670	\$3.18

A better financial decision for our customers even when compared to a cash advance on a credit card

Estimates say that nearly half of U.S. taxpayers live paycheck to paycheck. Short-term cash emergencies happen and funds tend to be tightest in winter months (tax-filing time). Waiting weeks may not be an acceptable option and a RAL may be the best solution dollar for dollar.



HSBC compliance efforts help drive a positive customer experience

Best-in-class compliance programs

- ▶ Annual compliance plan driven by operational risk evaluation
- ▶ Established compliance policies and procedures to meet all regulatory requirements
- ▶ Mandatory compliance training for our ERO facilitators
- ▶ Monitoring programs to help ensure compliance with consumer protection regulations:
 - Field ERO review - annual sampling of our ERO business partners (facilitators)
 - Customer review - sampling of our customers' experiences
- ▶ Dedicated compliance staff within the HSBC business unit
 - Supplemented with independent, third-party assessments

MEDIA ADVISORY

**ACORN®**www.acorn.orgFor Immediate Release:
April 15, 2005Contact:
Jordan Ash, (651) 503-4555**Statement of Paul Satriano, Minnesota ACORN Chairperson****Introduction**

On behalf of the 6,000 low and moderate-income families who are members of Minnesota ACORN, I want to thank Senator Coleman for holding this hearing on a very important issue.

For the last two years, ACORN members throughout the country have been waging a campaign against Refund Anticipation Loans (RALs) and the billions of dollars they drain from low-income neighborhoods.

As low and moderate income families, many of us are struggling to make ends meet, with bills piling up, rent or mortgage payments due, cars that need to be fixed. We look forward to the tax refunds that can help us get caught up or even get ahead a little.

Unfortunately, as with so many other financial areas, an entire industry has emerged to take advantage of and profit from us with large and unnecessary fees. It is especially troubling how much money RALs siphon from the Earned Income Tax Credit (EITC) program, which is designed to put money back into the pockets of low-income working families, not to enrich tax preparers and banks. In Minneapolis, 1 out of every 3 EITC recipients got their 2002 refund through a RAL.

In addition to the amount of EITC funds lost to RALs, a separate, but equally serious concern, is the number of eligible families who do not collect the EITC. The IRS themselves have said that as many as 4 million of the lowest-income households may be missing out on over \$5 billion in EITC refunds. We believe that the IRS should implement better systems to identify and reach these households, including working with community organizations, and ensure that they receive the money they are entitled to.

About ACORN's Work

ACORN has been conducting a national campaign to comprehensively address this problem.

1) Community Outreach, Education, and Service: In over 70 cities ACORN has been going door to door to let families know that they might be eligible for the EITC, warn them about the high cost of RALs, tell them they can get their refund quickly without any extra cost, and direct them to free tax preparation sites. In 45 cities this year, we operated our own VITA sites and prepared returns for over 10,000 families. We expect to offer this service in more than 60 cities next year.

Permanent Subcommittee on Investigations

EXHIBIT #10

2) Targeting Individual Tax Preparers: In January 2004 ACORN started targeting the three largest tax preparers to get them to change their practices. We went after H&R Block first since they were the biggest and reached an agreement in which H&R Block would:

1. Eliminate the administrative/application fee that they charged for RALs.
2. Work with ACORN to improve their consumer protection disclosures.
3. Team up with ACORN in a 65-city EITC outreach project.

We then turned our attention to the next largest company, Jackson Hewitt, and we have been in negotiations with them to reach a similar agreement.

Liberty Tax, the third largest tax preparer, has been unwilling to engage in these discussions and has falsely asserted that they have the best disclosures and lowest prices in the business. We have seen application fees as high as \$59 at Liberty stores.

3) Legislation: Even if the three largest preparers voluntarily make changes, this covers less than a third of all commercially prepared tax returns. ACORN has been working at the federal level, as well as in a number of states and cities, to win strong consumer protection laws.

Recommendations

There is still much more that needs to be done to address the problem of RALs and we would recommend that Congress look at the following areas:

- 1) The tax preparation companies are the face of RALs, but the majority of the pricing is set by the banks that originate the RALs, such as: HSBC, Santa Barbara Bank and Trust, Republic Bank of Kentucky, and First Bank of Delaware. Federal regulations limiting the fees that can be charged for RALs would greatly benefit consumers.
- 2) There are a number of important things that Congress could instruct the IRS to do:
 - a. Speed up the processing of refunds, including refunds with EITC, so that families can get their money back quicker and won't need a RAL.
 - b. Promote and publicize to low-income consumers the current relative speed of electronic filing and that you can get a quick refund by e-filing at no extra cost.
 - c. Prohibit the sale of RALs through the IRS's free file site.
- 3) Congress should allocate the resources needed to support the community organizations that operate VITA sites and to allow them to provide free tax services to even more low-income families. VITA sites save hundreds of dollars for individual families and can save millions of dollars for low-income communities.

#



Gary P. Weinstein
Vice President, Legal

April 22, 2005

BY E-MAIL AND U.S. MAIL

Senator Norm Coleman
Chairman
United States Senate
Permanent Subcommittee on Investigations
199 Russell Building
Washington, D.C. 20510

Re: Jackson Hewitt Tax Service Inc.

Dear Senator Coleman:

At the hearing held by the Permanent Subcommittee on Investigations entitled "Tax Related Financial Products Can Be Costly" on April 15, 2005 in St. Paul, Minnesota, I testified on behalf of Jackson Hewitt Tax Service Inc. ("Jackson Hewitt"). At the hearing, you inquired as to the percentage of Jackson Hewitt customers who received an Earned Income Tax Credit ("EITC") in Minnesota and who also obtained a refund anticipation loan ("RAL"). In the 2005 tax season, Jackson Hewitt prepared 8,520 returns in Minnesota which claimed the EITC. Of those, 5,330 customers obtained a RAL offered by Santa Barbara Bank & Trust through Jackson Hewitt.

We appreciate the opportunity to testify before the Subcommittee. If we can be of any further assistance, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to be "G. Weinstein", written over a horizontal line.

Gary P. Weinstein
Vice President, Legal

7 Sylvan Way - 2nd Floor, Parsippany, NJ 07054 Tel: 973.496.5719 Fax: 973.496.2810
gary.weinstein@jtax.com www.jacksonhewitt.com

Permanent Subcommittee on Investigations
EXHIBIT #11

**H&R BLOCK**tax and financial services
accounting and mortgage services

June 29, 2005

Hon. Norm Coleman, Chairman
U.S. Senate Subcommittee on Permanent Investigations
199 Russell Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

This letter replies to questions you asked at the hearing in St. Paul on April 15, and responds to several comments made by other witnesses, including some inaccuracies. We respectfully request that it be included in the hearing record to ensure that readers have a full understanding of all issues.

1. **Written and Oral Disclosures.** You suggested improvement of our oral disclosures. We appreciate your praise of our written disclosures as “exceptional” and “well done.” By providing consistent written disclosures and a computer screen display to enable side-by-side comparisons of IRS refund delivery and bank product options, for example, we believe our clients are able to make informed choices about the best way to get funds. By using layered written disclosures, we provide essential information in simple format as well as more detailed information. Our layered disclosures were developed in consultation with the former head of the Bureau of Consumer Protection at the Federal Trade Commission and consumer groups and, we believe, represent best practices.

We are giving careful consideration to your suggestion that we improve our verbal disclosures, recognizing that they can reinforce key messages. We use written disclosures to ensure uniformity and compliance with various laws, including those that require equal presentation of credit opportunities. This allows supplemental oral information to be tailored to the needs of each taxpayer, some of whom may be familiar with the process having obtained refund loans in the past, and some of whom may be first-time explorers seeking information to determine whether or not to use a RAL. Precisely because clients vary in their experience with different products and in their financial sophistication, we believe that verbal disclosures are more useful as a tool to customize disclosure to the individual client rather than as a reiteration of the essential disclosures already provided in writing. We also hope to minimize risk that verbal information may be delivered differently by different tax professionals.

In any case, our training does emphasize accurate oral and written information; our goal is to ensure that each H&R Block tax client fully understands available options and is able to make a well-informed choice; and we agree that objective information delivered verbally can help consumers make better informed choices.

700 Thirteenth Street, NW Suite 700 Washington, DC 20005-5922
Tel 202 508-6363 Fax 202 508-6330 www.hrblock.com

Permanent Subcommittee on Investigations

EXHIBIT #12

2. **EITC and Refund Anticipation Loans.** You asked what percentage of taxpayers claiming an EITC use a RAL. An April 2005 survey from the Brookings Metropolitan Policy Program found 38.3% of taxpayers who filed EITC returns in 2003 received their tax refunds via refund loans. The study found an “impressive” 4.6 percentage point decline in the number of EITC recipients using RALs on returns filed in 2003 compared to 2002, following growth in 2001 and 2002. Minneapolis and St. Paul, the only Minnesota cities listed, showed decreases to 33.3% and 27.5%, respectively.¹
3. **Elevated Audit Rates for EITC and Peace of Mind.** You asked about the risks of an IRS audit of an EITC claimant and use of our Peace of Mind extended service plan by EITC claimants.

While the chances of being audited by the IRS are relatively small for all taxpayers, it can be a 100% unsettling experience for those who receive a letter from the IRS or who actually undergo an audit, especially for those least comfortable in dealing with the Government. IRS enforcement disparities by income and geography have been well publicized. In 2000, *The New York Times* reported that, since 1988, audit rates for the poor increased by a third while falling 90% for the wealthiest Americans.² More recently, almost **half** of the million returns audited in fiscal year 2004 involved an EITC. This includes exams conducted by revenue agents, tax auditors, tax compliance officers, and correspondence audits, but not computer-matching programs of information returns and automated error-checking that may result in adjustments to tax liabilities, such as math error adjustments.³ Past audit rates may not predict future IRS efforts since revenue protection plans and EITC audit numbers change yearly, sometimes by more than 50%. In fiscal years 1999, 2000, and 2001, there were 600,000, 270,000, and 400,000 EITC correspondence audits, respectively.

An IRS audit of an EITC return can be quite an ordeal. In June 2003, the IRS announced an initiative to reduce a significant backlog of EITC audits, during which refunds can be frozen and which take an average of 225 days to resolve.⁴ IRS auditors can also deny funds to those who are legitimately eligible for them. In her 2004 report to Congress, the Taxpayer Advocate released a study showing that 43% of those who sought a reconsideration of audits disallowing an EITC received added EITC funds, though it took considerable effort. She wrote, “The average length of the

¹ Alan Berube and Tracy Kornblatt, “Step in the Right Direction: Recent Declines in Refund Loan Usage Among Low-Income Taxpayers,” Brookings Metropolitan Policy Program Survey (April 2005), pp. 4, 13-14. This and a prior study may overstate RAL numbers because they matched the IRS “RAL Indicator” with EITC returns, but some return preparers have interpreted the IRS rules regarding use of the RAL Indicator to require reporting all bank products, including non-loans as well as RALs. We disagree with some of the conclusions in the earlier report, cited in footnote 10 below.

² David Cay Johnston, “IRS More Likely to Audit the Poor and Not the Rich,” *N.Y. Times*, April 16, 2000. See also, Mary Williams Walsh, “IRS Tightening Rules for Low-Income Tax Credit,” *N.Y. Times*, April 25, 2003, at A1, “The IRS Goes After the Poor,” *N.Y. Times*, April 27, 2003, §4, and Albert B. Crenshaw, “Crackdown on Tax Credit Put Off to Allow Comment,” *Washington Post*, May 23, 2003 at E1.

³ See, Research Institute of America, “What Are Your Chances For Being Audited? Latest IRS Data Book Provides Some Clues,” March 24, 2005. There were 130.1 million individual returns filed in calendar year 2003, and 1,007,874 were audited, of which 487,461, or 48.3%, claimed an EITC.

⁴ IRS Fact Sheet, FS-2003-14 (June 2003).

entire process, from the posting of the return, through the original audit, and the audit reconsideration, was 1,000 days (2.7 years).⁵

If a taxpayer applies for the EITC and is found ineligible on audit, the taxpayer must fill out a special form to be recertified to receive the credit in a future year, which triggers an automatic audit of the next EITC claim. The stakes are high since the EITC can represent a quarter of a low-wage family's income and, in some cases, taxpayers can be barred from receiving the EITC for two or more years. The General Accounting Office reviewed the IRS's administration of the recertification program and found it inadequate, inconsistent, and confusing.⁶

In addition, the IRS is in the second year of a pilot of an EITC pre-certification program that may affect 4-5 million "high risk" EITC claimants when fully implemented. It too has been much criticized.⁷

The information above suggests that an EITC recipient would have good cause to believe that the nominal audit rate for the program did not tell the full story of how problematic enforcement can be, especially without the assistance and backup of a trained tax professional.

Approximately one-third of H&R Block clients who claimed an EITC also purchased a Peace of Mind extended service plan in 2004 at company-owned offices. The typical client makes a POM purchase decision based on individualized factors. These include the client's own assessment of the quality of information provided to our tax preparer and the client's ability or willingness to handle an audit personally -- from a representation and/or financial perspective -- if the return is among those questioned by the IRS. Thus, the implications of being audited, not just the likelihood of an audit, can drive POM purchase decisions. As shown above, the EITC audit process can be especially daunting -- "too time consuming and burdensome for taxpayers," as IRS Commissioner Everson has said.⁸

The following graph, from Congressional testimony in 2003, also highlights the enforcement emphasis given to EITC returns.⁹

⁵ National Taxpayer Advocate, *2004 Annual Report to Congress*, volume 2, "Earned Income Tax Credit (EITC) Audit Reconsideration Study," Dec. 31, 2004, Publication 21048 (Rev. 12-2004), pp. 10, 22.

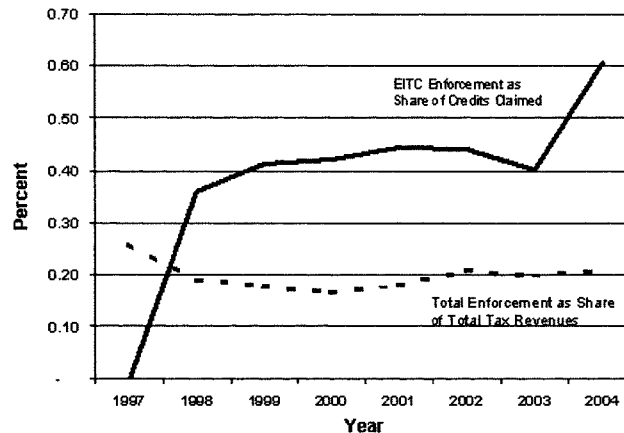
⁶ See Form 8862, and General Accounting Office, "Earned Income Credit: Opportunities To Make Recertification Program Less Confusing and More Consistent," GAO-02-449 (April 2002).

⁷ See IRS press release, IR-2003-78 (June 13, 2003), and Announcement 2003-40. On July 18, 2003, 44 U.S. Senators wrote to President Bush urging that the EITC certification program be halted. A *New York Times* article said the program would require, "the most exhaustive proof of eligibility ever demanded of any class of taxpayers." Mary Williams Walsh, "IRS Tightening Rules for Low-Income Tax Credit," *N.Y. Times*, April 25, 2003, at A1. See also, Statement of Robert Greenstein, Executive Director, Center on Budget and Policy Priorities before the IRS Oversight Board, January 26, 2004.

⁸ IRS press release, IR-2003-78 (June 13, 2003).

⁹ From Testimony of former Deputy Assistant Treasury Secretary Len Burman, House Ways & Means Committee, July 17, 2003.

Figure 3. Outlays for Enforcement on EITC and All Taxes, Fiscal Years 1997-2004



Source: Total tax revenues and outlays on EITC enforcement and total enforcement are from the U.S. Budget for fiscal year 2004. EITC claims in 1997 to 2000 are from the Statistics on Income, Internal Revenue Service. EITC projections for 2001 – 2004 were computed using the Urban-Brookings Tax Policy Center microsimulation model.

4. **Franchise Practices.** You asked whether H&R Block had the ability to have its franchisees eliminate the “systems administration fee” that applied to bank products including RALs, or whether the elimination would be a voluntary action in accord with H&R Block’s strong recommendation of the policy. H&R Block franchisees are required to abide by the company’s policies, which is why we are confident the fee will be eliminated in 2006 in the few remaining franchise offices where it is charged. The fee averages \$13 in Minnesota.
5. **Ms. Burbach’s testimony and RAL disclosures.** Ms. Burbach expressed dissatisfaction with H&R Block’s service and fees at the Subcommittee hearing – although not to H&R Block in any way during or after tax preparation. We have offered her our apologies and a refund of tax preparation fees based on H&R Block’s 100% satisfaction guarantee. While we cannot comment directly on Ms. Burbach’s tax return without her written consent, we did want to offer clarifying information in response to several statements she made.
 - **Fees.** Ms. Burbach testified that she had learned it was “not true” that her fees may have increased because a test of lower RAL fees in 2004 had ended, as her tax return preparer had explained. In fact, H&R Block did test a Discounted RAL throughout Minnesota in 2004 which lowered the fees of many RAL users. Tax preparation fees can also change in response to changed circumstances and added complexity. Unless a client’s tax situation is identical in every respect from year to year, H&R Block fees would change because – to ensure fairness – we

compute charges based on the specific forms and line items involved in each return.

- **Single Loan.** Ms. Burbach testified that she selected an “Instant Money Refund Anticipation Loan” but was actually given two loans. In fact, those who use an “Instant Money Refund Anticipation Loan” receive one loan: When the loan is over an amount the bank will approve for an instant product based upon the bank’s credit criteria, the loan is delivered in two installments, each with its own Truth in Lending Act (TILA) statement. The first funds would be disbursed by bank check within an hour of the bank’s approval decision, and the second check would be issued after IRS acceptance, usually within 1–2 business days. In this case, it appears that Ms. Burbach assumed that multiple checks meant multiple loans, although she was mistaken.
- **Refund Delivery Time.** Ms. Burbach testified that she received her state tax refund by mail within 3 days. If so, this is better than average. The Minnesota Department of Revenue Website states that, “Electronic returns are generally processed within 21 days after the date they were accepted. Paper filed returns are generally processed within 90 days from the date they were mailed.”

Even with quick delivery, however, state tax refunds are usually a fraction of the \$2,100 average Federal tax refund (higher for EITC recipients) and therefore would not be sufficient for those who need more substantial funds quickly. The IRS is not able to deliver Federal tax refunds in fewer than 8-15 days, and then only for the minority of taxpayers who file electronically and instruct the IRS to deposit their refund directly into an existing bank account. Mail delivery takes about 3 weeks for e-filers, and about 6-8 weeks for paper filers. These delivery delays may help explain why some taxpayers use refund anticipation loans.

- **RAL Information.** Ms. Burbach testified that she was only briefly shown the disclosures provided to her and that her tax preparer did not provide sufficient explanation to dispel confusion about some features of an “Instant Money Refund Anticipation Loan,” including the right to cancel within 48 hours. Our training requires full explanation, especially if a tax client – even one who has used RALs in the past – asks questions. Examples of H&R Block’s explanatory materials, which are provided to all RAL customers are:
 - Our client introductory welcoming brochure, which describes settlement options, presenting the no-additional-fee IRS refund delivery first;
 - A comparison of IRS refund and bank product options shown to all refund clients side-by-side on a computer screen to help them make informed choices;
 - A “Facts About Refund Anticipation Loans (RAL)” 8½ x 11 inch size document presented to each client at the tax desk, highlighting costs and interest rates for RALs, features (including as an “important fact” the 48 hour opportunity to cancel a RAL transaction), responsibilities of RAL borrowers, time comparisons for refunds and bank products, and illustration of a typical RAL transaction showing refund amount, deduction for tax prep fees, deduction for RAL finance charges, the interest rate, and the bottom line, all designed to aid in well-informed choices;

- A RAL Application form, showing the word “**LOAN**” in bold capital letters 2 x 7½ inches in the top background of the first page, and including cautionary language about the cost of RALs compared to other forms of credit;
- A Truth in Lending Act statement showing loan fees and the interest rate;
- A computer screen showing the client itemized costs; and
- A notice given to a RAL client, offering advice on how to reduce the need for RALs in the future.

The H&R Block process, though geared to a financially unsophisticated consumer, does impose a responsibility on the consumer to ask questions when our materials or explanations are unclear. We are uncertain why Ms. Burbach chose not to ask for clarifications.

6. **Mr. Eckelberry’s Performance.** Mr. Eckelberry testified that he was evaluated in part based on his sales of tax-related financial products. Although he testified that he freely discouraged clients from using RALs and refused to endorse the Peace of Mind extended service plan, his March 27, 2000 performance evaluation, introduced into the record, shows he met or exceeded expectations. His evaluation included 10 “5” ratings (“exceeds expectations”), one “4” on “Inquired about refund/balance due expectations,” and one “3” (“meets expectations”) on “Successfully offered Refund Rewards.” He attributed the low rating to poor RAL sales. In fact, however, the “Refund Rewards” program has nothing to do with RALs: It provided refunds on a plastic card which could then be used for substantial discounts at merchants such as Northwest Airlines, Sears, General Motors, or Radio Shack. *The 2000 performance evaluation form Mr. Eckelberry submitted makes no reference to RALs.*

A much different evaluation form is currently used. A copy is submitted for the record. Tax preparers are **not** evaluated on selling company products; they participate in a development discussion with their District Manager that focuses on the quality of the client experience, delivery of tax advice, and demonstration of corporate values. Moreover, H&R Block tax return preparers do not receive any added compensation based on a refund anticipation loan, so they have no incentive to sell the product, other than serving their client’s needs.

The March 9, 2000 memo Mr. Eckelberry provided for the record, urging endorsement of the Peace of Mind extended service plan, was clearly inappropriate. It was, however, an incorrect interpretation of company policy from two local managers in one of more than 350 tax districts in the country. It does **not** represent current policies or practices. In the intervening five years, we have enhanced processes and training to ensure that Peace of Mind is explained to all clients but “pushed” on none. Our company culture is values-driven, not sales-driven.

7. **Dr. Haney, Children’s Defense Fund.** We share the desire of the Children’s Defense Fund to see that all taxpayers eligible for the EITC receive it. Some of the information provided by Dr. Haney requires response:
 - **RAL Costs and Banks.** The cost of a typical refund loan is 3.2% of an average EITC filer’s tax refund, not 6%, and the APR, as computed under the Truth in Lending Act, is less than half the amount cited by Dr. Haney. EITCs are delivered as part of a taxpayer’s overall refund, not separately. A typical tax client claiming an EITC would have a refund of \$3,100, for which a RAL would

cost \$99.95 and deliver funds in 1-2 days. While this may still be viewed as expensive, it is comparable to the cost of a cash advance on an AARP credit card. Dr. Haney states that RAL facilitators partner with national banks to circumvent state interest rate caps (as payday lenders are alleged to have done). This is not correct: Financial institutions have always been the RAL lenders, since IRS e-filing rules prohibit tax preparers from lending to tax clients, and various court decisions make interest rate caps inapplicable to state banks as well as federally-chartered financial institutions.

- **Targeting.** H&R Block does not target its services to low-income neighborhoods with high numbers of EITC claims, although this may be true of some other tax preparation firms. As the study on which the charge is based specifically found, “The share of all H&R Block stores located in zip codes with above-average EITC receipt (20 percent and up) is similar to the share of all returns in those zip codes.”¹⁰ Given the acknowledged complexity of the EITC, it is understandable that demand for tax preparation services would be greater in areas with higher EITC claim levels. We would expect to see a similar pattern of concentration of community volunteer tax preparation sites. This greater level of service benefits communities by maximizing the EITC benefits flowing into them. A recent Urban Institute study found that, among parents who have heard about the EITC, a “significantly larger proportion” of those who use paid tax preparers received the EITC. The study found a 15% increased likelihood for obtaining an EITC, suggesting the important role that can be played by qualified tax professionals in low-income areas, especially given estimates that as many as 25% of EITC-eligible taxpayers do not receive an EITC.¹¹
- **ACORN and H&R Block.** Our basic RAL disclosures, developed with the assistance of the former head of the Federal Trade Commission’s Bureau of Consumer Protection, were in use before our discussions with ACORN, and we had already eliminated our bank product “system administration fee” in 13 states and announced the intention to eliminate it nationally — effectively reducing the cost of a RAL by 25% or more — before the ACORN discussions. ACORN’s suggestions led to several improvements in our RAL disclosures and acceleration of the schedule to eliminate the “system administration fee” nationally. H&R Block and ACORN also partnered in a 65-city EITC education and outreach campaign.¹² Our tax preparers are trained to present RALs as an option objectively and not to push the product; they do not receive any personal profit, commission, or sales incentive for RALs.
- **Understanding Refund Loans Are Loans.** Reference was made to December 2004 poll showing 70% of respondents who had gotten a RAL did not recognize that it was a loan. An April 2005 study by Dr. Gregory Elliehausen of the Credit

¹⁰ Alan Berube, Anne Kim, Benjamin Forman, and Megan Burns, “The Price of Paying Taxes,” a Brookings Institution-Progressive Policy Institute Survey (May 2002), p. 9.

¹¹ Elaine Maag, “Paying the Price? Low-Income Parents and the Use of Paid Tax Preparers,” New Federalism National Survey of America’s Families, No. B-64 (February 2005), pp. 5-6. General Accounting Office letter to Rep. Coyne, “Earned Income Tax Credit Participation,” GAO-02-290R, Dec. 14, 2001.

¹² See ACORN and H&R Block Joint Press Release, January 14, 2005.

Research Center at Georgetown University's McDonough School of Business exposes the poll's very confusing question, which mixed terms for refunds and loans, as a flawed basis for suggesting that consumers did not realize a RAL is a loan.¹³ IRS rules require that we "advise taxpayers that RALs are interest bearing loans and not a quicker way of receiving their refunds from the IRS."¹⁴ The HSBC loan application used at H&R Block offices has word "LOAN" printed in bold capital 2 x 7½ inch letters across the top background of the first page, and the term "loan" or "RAL" (defined as a loan) is used over 100 times in the application form. Thus, extensive efforts are made to ensure that RAL users understand that they are taking out a loan, which means borrowing money from a bank and accepting responsibility for repayment. Dr. Elliehausen's study, which discusses the economic rationale for RALs, finds 85% consumer satisfaction among RAL users.

8. **Ms. Esposito, AccountAbility Minnesota.** H&R Block supports community volunteer income tax preparation efforts. We enable H&R Block tax preparers to participate; we provide scholarships to our training courses for a number of VITA operations; and we have partnered with VITA operators in several cities to provide tax preparation services. We respect the leadership Ms. Esposito has shown.
 - **VITA vs. Paid Preparers.** While increasing VITA services has merit, all of VITA's operations nationally prepare less than 2% of tax returns claiming an EITC compared to 70% of EITC returns done by paid tax preparers, and only about 4% of those who qualify for IRS Taxpayer Assistance Services use them. Recent Government Accountability Office and Treasury Department studies have shown limitations in training and execution at both IRS and VITA sites.¹⁵ Many VITA volunteers have only 8 hours of training compared to the 96 hour minimum for a first-year H&R Block return preparer. Half of volunteers are no-shows, IRS reports. Many VITA sites are open only a few hours per week during part of the tax season. The lack of year-round service at most VITA sites is also a drawback for consumers who would have no point of recourse if the IRS challenges any aspect of their return. VITA sites often do not provide information about financial education, savings incentives, and other government benefits for which taxpayers may qualify, including food stamps, children's health insurance, and prescription drug discounts, while this information is provided to all H&R Block's low-income clients. Thus, while VITA volunteers render a tremendous public service and expansion of VITA can help low-income taxpayers, VITA alone will never be sufficient, as the National Taxpayer Advocate has said. H&R Block believes that more cooperation and partnerships with the professional tax community offer the best opportunity to improve service to low-income taxpayers, using *both* VITA's resources *and* networks like H&R Block's 11,000 U.S. offices.

¹³ "Consumer Use of Tax Refund Anticipation Loans," Credit Research Center Monograph #37 (April 2005), pp. 9-10.

¹⁴ *IRS Handbook for Authorized IRS e-file Providers*, Pub. 1345 (2005), p. 44.

¹⁵ See, for example, Treasury Inspector General for Tax Administration, "Improvements Are Needed to Ensure Tax Returns Are Correctly Prepared at Taxpayer Assistance Centers," 2004-40-025 (December 2003) (of 23 test returns, 83% were prepared incorrectly), and "Improvements Are Needed to Ensure Tax Returns are Prepared Correctly at Internal Revenue Service Volunteer Income Tax Preparation Sites," 2004-40-154 (August 2004) (of 35 test returns, all were prepared incorrectly).

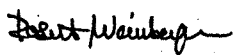
- **Same Day Refunds.** Ms. Esposito testified that in emergencies taxpayers could get same-day refunds from an IRS office using hardship procedures as an alternative to RALs. We checked with the Taxpayer Advocate's office and were advised that "same day refunds are virtually impossible."¹⁶
- 9. **Jackson Hewitt's Prospective Reforms.** We welcome the RAL reforms announced by Jackson-Hewitt which, when adopted, will mirror some of H&R Block's industry-leading practices:
 - H&R Block eliminated its "system administration fee" for bank products in all of our company offices in 2004-5; most franchised offices also did so and the remainder of our franchisees are expected to follow suit in 2006;
 - We never have had a \$10 surcharge for RAL clients who claim an EITC;
 - Our RAL lender already has a 48-hour right-to-cancel for RALs; and
 - Our clients' rights and responsibilities are clearly spelled out in various disclosures and key features are highlighted in our "Facts About Refund Anticipation Loans (RAL)" document. Our tax return professionals comply with H&R Block's longstanding "Code of Business Ethics and Conduct."

Mr. Chairman, following the hearing, bipartisan legislation was introduced in the U.S. Senate, co-sponsored by the Chairman and Ranking Minority Member of the Finance Committee, to address a number of issues raised in the hearing. S.832, the "Taxpayer Protection and Assistance Act of 2005," would authorize grants to establish tax return preparation clinics for low-income taxpayers; regulate and test paid income tax preparers; require the registration of refund anticipation loan facilitators and specific disclosures in RAL transactions; and authorize demonstration project grants to assist low-income taxpayers without bank accounts to obtain such accounts with federally-insured depository institutions.

We support Federal regulation of RALs to ensure full consumer protection and uniform national standards. We also look forward to continuing dialogue with groups who want to ensure that our policies and practices meet the highest standards of legal compliance, consumer protection, and business ethics.

Mr. Chairman, we appreciate the opportunity to testify and to work with the Subcommittee and its staff as it considers tax-related financial products and the positive role professional tax return preparers can play in the lives of their clients.

Very Truly Yours,



Robert A. Weinberger
Vice President, Government Relations

¹⁶ E-mail from Kenneth J. Drexler, Senior Advisor, Office of the Taxpayer Advocate, May 2, 2005.

MULTIPLE FEDERAL LAWS AND IRS RULES ALREADY EXTENSIVELY REGULATE RAL LENDERS AND FACILITATORS

Proposals for state or local regulation of refund anticipation loans (RALs) may be based on the mistaken belief that RALs currently are unregulated or only lightly regulated. In fact, multiple federal laws, rules, and agencies already extensively regulate refunds, RALs, RAL lenders and RAL facilitators as the following information illustrates. These rules already cover most of the items in proposed state or local laws. Moreover, legislation introduced in Congress would codify and strengthen existing rules, require registration of RAL facilitators with the Internal Revenue Service, and mandate testing and certification of all tax return preparers.¹ Because all RALs involve federal tax returns and RAL facilitation requires participation of federally-regulated Electronic Return Originators, uniform federal standards enforced by the IRS are the most appropriate regulation. Overlapping or inconsistent state or local statutes promise needless complexity, conflicts, and consumer confusion.

EXISTING FEDERAL LAWS & RULES REGULATING RALS

- Truth in Lending Act and FRB Regulation Z
- Equal Opportunity Credit Act and FRB Regulation B
- Federal Trade Commission Act
- Fair Credit Reporting Act
- Fair Debt Collection Practices Act
- USA Patriot Act
- Gramm-Leach-Bliley Act
- Internal Revenue Code and Regulations
- IRS Revenue Procedure 2000-31
- IRS Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns

1. The Truth in Lending Act and Federal Reserve Board Regulation Z²

Regulated Calculations

- A lender must calculate a “finance charge” as a dollar amount, including all charges payable directly or indirectly by the consumer as an incident to or condition of the credit. Charges equal to those payable in a comparable cash transaction are excluded.
- The annual percentage interest rate (APR) must be calculated in the manner outlined in an appendix to Regulation Z.
- APRs must be disclosed accurately within prescribed tolerances – neither overstating or understating is permitted.
- Special rules for RAL disclosures require the lender to base the APR and other calculations on the estimated date on which the refund will be delivered by the IRS to the lender.

Regulated Form and Timing of Disclosures

- Disclosures must be made before a transaction is entered into by the borrower and the lender.
- Disclosures for closed-end credit like a RAL must be clear and conspicuous, and given in writing in a form the consumer can keep. They must be grouped together and separated from other items by a box, dividing lines, different colors or different type styles.
- The terms “finance charge” and “interest rate” must be more conspicuous than other disclosures, using capital letters, larger type, colors, underlines or asterisks.

Regulated Content of Disclosures

- The amount financed (itemized at consumer request)
- The finance charge (as a dollar amount)
- The annual percentage interest rate (APR)
- Payment schedule
- Total of payments
- Prepayment charges
- Late payment charges

- Notice regarding any deposits required or security interests taken
- Notice that the borrower should refer to the loan contract for information on nonpayment, default, prepayment penalties, and rights to accelerate payments, if any.

Regulated Advertising

- Advertising of credit terms must be clear and conspicuous.
- Lenders can only advertise terms that are actually available to consumers.
- Advertised interest rates must be stated as annual percentage rates, calculated as required for disclosures.

Enforcement, Criminal and Civil Penalties

- TILA is enforced by several regulators: for federally-regulated financial institutions, enforcement is handled by the institution's functional regulator (the U.S. Treasury's Office of the Comptroller of the Currency (OCC) or Office of Thrift Supervision (OTS); the Federal Reserve Board; the National Credit Union Administration (NCUA); or the Federal Deposit Insurance Corporation (FDIC). The Federal Trade Commission (FTC) enforces TILA for all other lenders.
- Lenders are subject to criminal penalties (a fine of up to \$5,000 and up to one year's imprisonment) for willfully and knowingly failing to provide required disclosures, giving false or inaccurate information, consistently understating APRs, or failing to comply with any other TILA requirement.
- Lenders are also subject to individual and class action civil lawsuits for violations of the law.

2. The Equal Credit Opportunity Act and Federal Reserve Board Regulation B³

Prohibited Discrimination

- Lenders may not discriminate against an applicant in any way on the basis of race, color, religion, national origin, marital status, age, or income from public assistance, or good faith exercise of rights under consumer protection laws. Each of these is referred to as a "prohibited basis" for discrimination.

Regulatory Requirements

- Lenders may not discourage (orally, in writing or in advertising) on a prohibited basis any potential applicant from applying for credit.
- Lenders may not ask an applicant for information about a spouse or former spouse, marital status, alimony or child support income, gender, status of children, race, color, religion or national origin.
- In evaluating an application, lenders may not take into account age, receipt of public assistance, or assumptions about likelihood of childbearing.
- Credit scoring systems must be fair and applied equally to all applicants.
- Lenders must provide "adverse action notices" to applicants who are denied credit, citing the specific reasons the applicant was rejected.

Enforcement and Penalties

- For federally-regulated financial institutions, enforcement is handled by the OCC, OTS, Federal Reserve Board, NCUA, FDIC, or Securities Exchange Commission (SEC). The FTC enforces the ECOA for all other lenders, and the Attorney General may bring civil suits against lenders engaged in a pattern of ECOA violations.
- Lenders are also subject to individual and class action civil lawsuits for violations of the law. Penalties can include actual damages, punitive damages of up to \$10,000 in an individual proceeding, and payment of attorney's fees.

3. The Federal Trade Commission Act⁴

Unfair and Deceptive Practices

- Lenders are barred from engaging in unfair and deceptive acts and practices in commerce, as defined by the rules and orders of their federal functional regulator. These unfair or deceptive methods by a business need only to be likely to deceive a consumer; the law does not require that actual deception take place. A business may also be liable for the unfair and deceptive acts of its employees, agents, or representatives.

Enforcement and Penalties

- The financial regulators may issue cease and desist orders, enter into consent agreements, and impose fines for violations. The FTC may sue for injunctive relief.
- The Justice Department is able to accept referrals to pursue criminal penalties. Civil penalties for violating orders go up to \$11,000 per violation.

4. The Fair Credit Reporting Act⁵**Regulation of Users of Credit Reports** Lenders using consumer credit reports must:

- Use reports only for a “permissible purpose,” such as approval for a credit transaction.
- Provide notice to a consumer if the lender takes an “adverse action” (denial of credit) based on information in a consumer report or information obtained from an affiliate.
- Provide consumers with an opportunity to “opt out” of the use for marketing purposes of information obtained from an affiliated entity.
- Develop reasonable procedures to ensure that any information transmitted to a consumer reporting agency is accurate.
- If the lender reports negative information to a consumer reporting agency, provide notice to the consumer that such information has been transmitted.

Enforcement and Penalties

- Penalties include actual damages up to \$1,000 per violation, punitive damages, and attorney’s fees, and administrative enforcement by federal financial regulators, which can include cease and desist orders and additional civil fines.

5. The Fair Debt Collection Practices Act⁶**Regulation of Debt Collection** RAL lenders that collect debts on behalf of other RAL lenders:

- Must disclose to a consumer within five days that a debt is being collected, including the amount, the creditor’s name, and a statement that the debt will be assumed valid unless the consumer formally disputes it.
- Are prohibited from providing false or misleading information to a debtor, including a list of 16 specific prohibited actions.
- Are barred from harassing or abusing debtors, and must follow specific restrictions governing all contact with debtors.

Enforcement and Penalties

- Violators are liable for penalties of up to \$1,000, actual damages, and court costs in individual lawsuits. In class action suits, penalties may range up to \$500,000. Violators are also subject to administrative enforcement by federal financial regulators, which can include cease and desist orders and additional civil fines.

6. The USA Patriot Act⁷**Customer Identification** Lenders must have reasonable procedures to:

- Collect information, including a customer’s name, address, date of birth, and a taxpayer identification number, such as a Social Security number.
- Verify identity, using documentation such as a driver’s license or passport, or alternative methods.
- Maintain records, including customer information and methods used to verify customer identity.

7. The Gramm Leach Bliley Act⁸**Privacy of Personal Information and Notices**

- Lenders must have policies and procedures in place to safeguard customers’ personal information.
- Lenders must provide customers with an opportunity to opt out of certain types of information sharing with third parties.

- Lenders must provide each customer with a privacy notice detailing their information collection and handling practices.

Enforcement and Penalties

- For federally-regulated financial institutions, enforcement is handled by the institution's functional regulator (OCC, OTS, Federal Reserve Board, NCUA, FDIC, or SEC). The FTC enforces the GLBA for all other lenders.
- Criminal and civil penalties, including fines, vary depending on the regulatory agency involved.

8. The Internal Revenue Code and Regulations⁹

Privacy of Tax Return Information and Penalties

- Taxpayer information may not be used or disclosed without prior written consent.
- The precise form of the taxpayer's consent is specified by rules.
- Violations are criminal misdemeanors punishable by fines of up to \$1,000 per disclosure or imprisonment for up to one year, or both.

Tax Return Preparer Standards

- All tax return preparers are subject to criminal and civil penalties for inappropriate behavior and can be enjoined from misconduct. They may be penalized, for example, for
 - understating or aiding in understating tax liabilities (§§6694, 6701);
 - negotiating a client's refund check (§6695(f));
 - failing to comply with due diligence requirements in determining earned income tax credit eligibility (§6695(g));
 - failing to sign a return, provide a copy to the client, retain a copy of the return, or furnish a preparer's identification number (§6695(a)-(c)); or
 - willfully aiding, assisting, counseling or advising in the preparation of any document in connection with Internal Revenue laws that is false or fraudulent; willful tax evasion; or willfully making false statements under penalties of perjury (§§7206(2), 7207).
- Tax practitioners who represent clients before the IRS (100,000 attorneys, CPAs, Enrolled Agents or Enrolled Actuaries) must be members of a regulated profession or pass an IRS examination and are subject to the extra provisions and penalties of Treasury Department Circular 230.

Enforcement and Penalties

- IRS enforcement is by the Office of Professional Responsibility and Criminal Investigation Division.
- Return preparers who violate tax laws or rules can be enjoined from preparing returns (§7404). Various civil penalties range from \$50 to \$1,000 per return or claim. Various criminal penalties include fines ranging up to \$100,000 and imprisonment for up to 3 years (§7206).
- Circular 230 practitioners may be disbarred or suspended from practice before the IRS for failing to comply.

9. Internal Revenue Service Revenue Procedure 2000-31, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns (56 pages), and IRS e-file Application and Participation (26 pages)¹⁰

Regulation of Electronic Return Originator Qualifications

- Tax returns involving a RAL must be electronically filed with the IRS, which requires use of one of the 155,000 federally-regulated Electronic Return Originators (ERO).
- To become an ERO, applicants must be U.S. citizens or legal resident aliens, 21 years old, pass an FBI criminal background check, have filed required tax returns and paid taxes owed, pass a credit history check, and pass a check for prior noncompliance in the IRS e-filing program.
- Tax preparers who are EROs must undergo annual suitability checks.

Regulation of ERO Activities

- A tax return preparer who is an ERO cannot also be a lender.
- An ERO may not cash the refund check for a return he has prepared.

Regulation of RAL Disclosures

- All parties to RAL agreements must ensure that taxpayers understand that RALs are interest bearing loans and not substitutes for or a faster way of receiving a tax refund, and that the IRS will send the refund to the financial institution and not to the taxpayer directly.
- EROs must advise taxpayers that if a Direct Deposit is not received within the expected time frame for whatever reason, the taxpayer may be liable to the lender for additional interest.
- EROs must advise taxpayers of all fees and other deductions from their refund amount and the remaining amount that they will receive as a RAL.
- EROs may only disclose tax information to a RAL lender with a taxpayer's written consent.

Regulation of Advertising, Marketing and Promotion

- The use of any form of public communication that contains false, fraudulent, misleading, deceptive, unduly influencing, coercive or unfair statements or claims is prohibited.
- Reference to funds advanced must clearly and in readable print refer to a loan, not a refund.
- Ads must clearly indicate the taxpayer is borrowing against the anticipated refund and not obtaining the refund itself from the financial institution.
- The ERO must clearly display its name wherever it does business.

Regulation of Fees

- Fees charged by EROs must be the same for all customers.
- Fees may not be related to the refund amount or RAL or any figure from the tax return.
- Separate fees may not be charged for direct deposits.

Enforcement and Penalties

- Enforcement against RAL facilitators is by the Internal Revenue Service's Director of Electronic Tax Administration, among other units.
- Tax preparers who violate these provisions may be sanctioned for three levels of infraction including suspension or expulsion from the e-filing program—approval for which is essential to facilitate a RAL.
- Additional penalties for return preparers also apply. For example, the fine for cashing a client's refund check is \$500 per check negotiated.

4/05. Further information: Bob Weinberger, 202-508-6363, rweinberger@hrblock.com

¹ S. 832 has been introduced by the Senate Finance Committee. In the last Congress, the "Tax Administration Good Government Act of 2004," was unanimously approved by the full Senate, May 19, 2004; see §141 of Senate Report 108-257 at http://www.finance.senate.gov/sitepages/leg/MAT04500_LC.pdf. A House-Senate conference committee never met to complete action on a compromise version, setting the stage for action in the new Congress.

² 15 U.S.C. §1601 *et seq.*, P.L. 90-321, and 12 CFR part 226. See also, FRB Staff Commentary to Reg. Z at Section 226.17. State regulation of RAL interest rates is preempted by federal law for national banks and federally-chartered thrifts. To maintain competitive equality, Congress permits state-chartered financial institutions to export their interest rates across state lines. See the National Bank Act, 12 U.S.C. §§85-86 and 1463(g); 12 CFR §§7.4001, 7.4002, 560.2(b)(5) and 560.110; the Home Owners' Loan Act, 12 U.S.C. §§1463-64; and the Depository Institutions Deregulation and Monetary Control Act, 12 U.S.C. §1831d (1994). See also *Marquette National Bank of Minneapolis v. First of Omaha Service Corporation*, 439 U.S. 299 (1978).

³ 15 U.S.C. §1691 *et seq.*; 12 CFR part 202.

⁴ 15 U.S.C. §45(a). Section 5 of the FTC Act.

⁵ 15 U.S.C. §1681.

⁶ 15 U.S.C. §1692 *et seq.*

⁷ 31 U.S.C. §5318(l); 31 USC §5318(g).

⁸ 15 USC, Subchapter I, §§6801-6809, P.L. 106-102, d⁴ 26 USC §§6713, 7216; 26 CFR §301.7216-1 *et seq.*; 26 CFR §301.7216.3(b). 31CFR Subtitle A, Part 10 for Circular 230 rules.

⁹ Rev. Proc. 2000-31 (July 13, 2000); *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, Publication 1345 (Rev. 11-2004), www.irs.gov/pub/irs-pdf/p1345.pdf; *IRS e-file Application and Participation*, Publication 3112 (Rev. 11-2004); *Filing Season Supplement for Authorized IRS e-file Providers Tax Year 2001*, Pub. 1345A; *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*, Pub. 1346; *Test Package for Electronic Filing of Individual Income Tax Returns*, Pub. 1436; and *The IRS e-file Application Package*, Pub. 3112. eals with privacy. FTC regulations are at 16 CFR §313.

¹⁰ 26 USC §§6713, 7216; 26 CFR §301.7216-1 *et seq.*; 26 CFR §301.7216.3(b). 31CFR Subtitle A, Part 10 for Circular 230 rules.

¹¹ Rev. Proc. 2000-31 (July 13, 2000); *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, Publication 1345 (Rev. 11-2004), www.irs.gov/pub/irs-pdf/p1345.pdf; *IRS e-file Application and Participation*, Publication 3112 (Rev. 11-2004); *Filing Season Supplement for Authorized IRS e-file Providers Tax Year 2001*, Pub. 1345A; *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*, Pub. 1346; *Test Package for Electronic Filing of Individual Income Tax Returns*, Pub. 1436; and *The IRS e-file Application Package*, Pub. 3112.



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H&R Block RAL Disclosures

On pages following...

1. ***Client Welcoming Brochure*** excerpt showing all options are presented early and no-added-fee IRS refund delivery are shown first
2. ***Facts About RALs*** illustrating general RAL features, fees and APRs, timelines and a typical RAL transaction
3. ***Customized computer screens*** ensure full client understanding with a personalized side-by-side comparison of options, fees, APRs, and delivery times, and with a clear itemization of all fees
4. ***Bank RAL application*** making it clear that this is for a **LOAN** which may be more expensive than other credit products
5. ***Loan Agreement & TILA Disclosure*** showing all fees and APR
6. ***Advice in H&R Block Advantage Report*** given to RAL clients with their completed tax return to urge planning of RAL alternatives

For your refund or balance due, choose what's right for you

H&R Block has several options to help you get money quickly. If you have taxes due, we offer convenient ways to pay your balance. If you do not have the ability to pay for your return at the time of your initial visit, H&R Block will gladly hold it and file it when you return with payment.³

Your tax professional will describe the fees and timing associated with the options below. Please note: After your check is deposited at your bank, it may take one to two days or longer for your money to be available in your account. Your bank can provide details of its funds-availability policies.

Refund options

Mail-in option. You can mail your return to the IRS and generally receive your refund within five to seven weeks through a direct deposit or six to eight weeks with a check mailed to you.

IRS direct deposit or check. We will electronically file your return. The IRS generally will deposit your refund into your bank account within 8-15 days if you select direct deposit. Or they will mail you a refund check usually within three weeks.

Refund Anticipation Check (RAC). Pick up a check or have money deposited directly, often within 8-15 days after electronic filing, for the amount of your refund minus bank fees and H&R Block's fees.⁴ (Clients must qualify.)

Refund Anticipation Loan (RAL) options⁵

Classic RAL. A Classic RAL is a loan in the amount of your anticipated tax refund. With a Classic RAL, you can pick up your loan check, minus bank fees and H&R Block's fees, in as little as one to two days.⁶ (Clients must qualify for this bank product.)

Instant Money RAL. Get money on the spot. Walk in with your taxes — walk out with a loan check. With an Instant Money RAL, you can take out a loan in the amount of your anticipated tax refund and receive your check, minus bank fees and H&R Block's fees, today.⁷ (Clients must qualify and pay a fee that is higher than the Classic RAL fee.)

³ At participating offices.

⁴ The amount of your loan and bank fees are withheld from your tax check so you don't pay any money today.

⁵ An additional fee, disclosed as an interest rate, is charged by H&R Block USA, N.A. The Instant Money RAL is not available in all states. Instant Money may not be available in all states. Instant Money has limited availability based on creditworthiness. Those not qualifying for Instant Money may qualify for a Classic RAL.

Note that all options are presented to our clients early—in the welcoming pamphlet—and no-added-fee IRS delivery options are shown first



Facts About Refund Anticipation Loans (RAL)

1. A RAL Is a Loan

- A Refund Anticipation Loan (RAL) is a bank **loan** based on the amount of your anticipated IRS tax refund.
- You must repay the full amount of the **loan** even if the IRS does not send all of your refund.
- HSBC Bank USA, National Association ("the bank") is the lender and servicer of RALs available at H&R Block offices.

2. Additional Charges for a RAL

- Typical RAL fees and Finance Charges, also stated as an Annual Percentage Rate (APR), are shown on Table 1.
- RAL costs include two parts:
 - a **Refund Account Fee** of \$24.95, paid to the bank, to set up an account to receive your tax refund and pay off your loan.
 - a **Finance Charge**, paid to the bank, which varies by the amount of the loan and how fast you choose to receive it, and is stated as an Annual Percentage Rate (APR). The bank's refund account fee is not part of the APR calculation.
- A RAL APR may be substantially higher compared to other kinds of credit.
- If your RAL application is not approved, the bank will still charge you the account fee. You should receive your money after the IRS distributes your refund to the bank and the bank authorizes H&R Block to issue you a check - approximately 8-15 days.

3. Cross Collection of Prior Amount Owed

- When you apply for a RAL and sign the application, you are agreeing to **cross collection**. This means that the bank may reduce your loan check by any prior year RAL amounts you owe to the bank or other RAL lenders and any prior year tax preparer fees you owe your tax preparer.

4. Other Options

- If you file your return electronically, you can get your IRS refund without additional fees in about 8-15 days with IRS direct deposit, or in about 3 weeks by IRS mailed check (see timeline for all options on Table 2).
- If you do not have the ability to pay for your return at the time of your initial visit, please ask your tax professional or the office manager about other options.

5. Other Important Facts

- The amount you receive as a loan check will be less than your full IRS tax refund, because bank fees and H&R Block fees will be deducted (see Table 3 for an example).
- H&R Block may purchase an interest in your RAL.
- Federal and state laws, and the terms of the agreement on your loan application, apply to RALs. In agreeing to arbitration as a way to resolve disputes, you may be waiving your right to participate in lawsuits.
- You can cancel your RAL transaction for up to 48 hours without being obligated for the finance charge portion of your RAL fees, provided you have not yet cashed your RAL check. However, you will still owe the \$24.95 refund account fee. If you cancel, your money will be delivered in approximately 8-15 days.

H&R BLOCK®



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Table 1: Sample Refund Anticipation Bank Loan (RAL)

Loan Amounts	Classic RAL Finance Charge	APR* for Classic RAL Finance Charge	Instant RAL Finance Charge	APR for Instant RAL Finance Charge	Refund Account Fee**	Total Fees for Classic RAL	Total Fees for Instant RAL
\$ 200 500	5.00	200 - 85% 500 - 34%	24.95	200 - 134% 500 - 60%	24.95	29.95	49.90
\$ 501 1000	15.00	501 - 102% 1000 - 51%	34.95	501 - 238% 1000 - 110%	24.95	39.95	59.90
\$ 1001 2000	45.00	1001 - 156% 2000 - 76%	64.95	1001 - 211% 2000 - 102%	24.95	69.95	89.90
\$ 2001 3700	75.00	2001 - 129% 3700 - 69%	94.95	2001 - 152% 3700 - 80%	24.95	99.95	119.90
\$ 3701 9999	85.00	3701 - 78% 9999 - 28%	104.95	3701 - 99% 9999 - 32%	24.95	109.95	129.90

*Annual Percentage Interest Rate **These fees are not included in the APR calculation

Table 2: Timeline

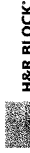
Filing/Money Options	Receive Money***	Tax Preparation Fee Required Up Front?
Paper Return IRS Mailed Check	6-8 weeks*	Yes
Paper Return IRS Direct Deposit to Your Bank Account	5-7 weeks*	Yes
E-Filed Return IRS Mailed Check	3 weeks*	Yes
E-Filed Return IRS Direct Deposit to Your Bank Account	8-15 days*	Yes
E-Filed Return Refund Anticipation Check	8-15 days**	No
E-Filed Return Classic Refund Anticipation Loan	1-2 days**	No
E-Filed Return Instant Refund Anticipation Loan	Same Day**	No

*IRS does not guarantee a specific date that refunds will be received. **HBR Block and HBR Bank USA, N.A. do not guarantee a specific date for availability of money. After your check is deposited at your bank, it may take 1-2 days or longer for the money to be available to you. ***Direct Deposit RAL may take one to three additional days due to Automated Clearinghouse (ACH) process.

Table 3: IRS Refunds and RAL Amounts
This illustrates a typical Classic refund anticipation loan. Starting with the amount of your refund, the bank will deduct tax preparer fees, bank finance charge and refund account fee. You will receive the remainder as your loan proceeds.

Anticipated Refund
Minus Tax Preparer fees
Minus Bank finance charge
Minus Bank refund account fee
Amount received as a Classic RAL
Annual Percentage Rate (APR)

\$2,500.00
- 150.00
- 75.00
- 24.95
= \$2,250.05
103 %



104628 STD 10/04

The computer screen seen by clients personalizes a side-by-side comparison of all options so our clients can see how each might apply to them

H&R BLOCK

Settlement Options Screen

Settlement Options Screen 2 of 3 Federal

Next Screen Go to First Screen Next Step

Go to Tax Prep

Go to Filing Restrictions

Federal Settlement Options & Estimates (e)

Federal Refund..... 3100.00

Peace of Mind Fee..... 0.00

Tax Prep & Other Fees..... 113.00

-- IRS DIRECT OPTIONS * --

1. EFile** 2. Mail-in**

3 weeks 6-8 weeks

8-15 days 5-7 weeks

** Timeline is based on business days from IRS acceptance

Bank Fees:

Refund Account Fee

Loan Finance Charge (e)

Estimated APR (LOAN)

H&R Block Fees:

System Admin Fee

Tax Prep & Other (e)

Sales Tax (e)

Total Fees (e)

Amnt Due Today* (e)

Amnt You Receive (e)

* All tax prep and other fees must be paid at the time of filing.

Your money may be paid in multiple installments.

Funds availability may be delayed 1-2 days or more due to your bank.

Which option would you prefer?..... (1-5)

Select method of receiving refund..... (1 = DD 2 = CK)

-- BANKING OPTIONS FEES WITHHELD --

3. RAC** 4. RAL-Loan** 5. IRAL-Loan

8-15 days 1-2 days Same Day

8-15 days 1-2 days N/A

24.95 24.95 24.95

None None 94.95

None None 82.269%

0.00 0.00 0.00

113.00 113.00 113.00

0.00 0.00 0.00

113.00 113.00 232.90

113.00 113.00 0.00

3100.00 2962.05 2887.05

2887.05 2887.05 2867.10

1 = Direct Deposit 2 = Check

Adobe Reader - [2105 RAL Application.pdf]
File Edit View Document Tools Window Help

Open Save a Copy Print Email Search Select Text 112% Create an Adobe PDF from your desktop

PERF PERF

HSBC

APPLICATION FOR A REFUND ANTICIPATION LOAN AND A REFUND ACCOUNT

The RAL application in bold, clear lettering makes clear that it is for a LOAN and the term "loan" or RAL is used over 100 times in the application

Applicant's Name _____ Applicant's Social Security/Taxpayer Identification # _____

Joint Applicant's Name _____ Joint Applicant's Social Security/Taxpayer Identification # _____

8235-0017-4396 ©2004, Morse Wallace North America, Inc. All rights reserved. -0221

I am applying for a Refund Anticipation Loan ("RAL") from HSBC Bank USA, National Association ("HSBC") in the maximum amount for which HSBC will approve me. In this application ("Application"), "ERO" means each of H&R Block, Inc. and each of its affiliates and subsidiaries (and franchisees thereof); "Transmitter" means my electronic tax return transmitter, which may be the same as my ERO; and "IRS" means the Internal Revenue Service.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. TO HELP THE GOVERNMENT FIGHT THE FUNDING OF TERRORISM AND MONEY LAUNDERING ACTIVITIES, FEDERAL LAW REQUIRES ALL FINANCIAL INSTITUTIONS TO OBTAIN, VERIFY, AND RECORD INFORMATION THAT IDENTIFIES EACH PERSON WHO OPENS AN ACCOUNT. WHAT THIS MEANS FOR ME: WHEN I OPEN AN ACCOUNT, YOU WILL ASK FOR MY NAME, ADDRESS, DATE OF BIRTH, AND OTHER INFORMATION THAT WILL ALLOW YOU TO IDENTIFY ME. I MAY ALSO BE ASKED TO PRODUCE MY DRIVER'S LICENSE OR OTHER IDENTIFYING DOCUMENTS.

2. Collections. In consideration of the ease and convenience of the following method of paying any delinquent debt I owe or the other applicant owes to HSBC Taxpayer Financial Services Inc. ("HSBC TFS"), my ERO or Transmitter for prior years, or Bank One, River City Bank, First Security Bank, Republic Bank, Santa Barbara Bank & Trust or First Bank of Delaware (the "Other RAL Lenders"), and provided that such debt has not been discharged in bankruptcy, I authorize and direct the repayment of such debt, calculated as of the date of my Application, by means of (a) having such debt deducted from the proceeds of my RAL, or (b) having my request for new loan proceeds denied or the amount for which I have applied reduced and having such debt repaid to those entities by offset or otherwise from my tax refund directly transmitted into my Refund Account with HSBC. If I owe delinquent debt to

9.5x12.63 in 1 of 11

H&R BLOCK**Notice in bank RAL application**

“Important Information About RALs. I understand that:

- (a) I can file my federal income tax return electronically without obtaining a RAL;
- (b) the IRS will send me a refund check or electronically deposit my refund to my existing bank account;
- (c) the IRS normally sends a refund check by mail within 3 weeks after an electronic filing;
- (d) the IRS normally makes and electronic deposit in an average of about 12 days after an electronic filing;
- (e) HSBC tries to make proceeds of an Instant RAL available on the day of application and a Classic RAL available on the first business day after application;
- (f) HSBC cannot guarantee when any proceeds of a RAL or an IRS refund will be available to me; and
- (g) a RAL may cost substantially more than other sources of credit, and I may want to consider using other sources of credit.”

LOAN AGREEMENT AND DISCLOSURE STATEMENT

Truth Is Leading Ant Dioxin Statement?

[illegible]

1. Item 2. Amount 3. Account 4. Amount 5. Account 6. Amount 7. Account 8. Amount 9. Account 10. Amount 11. Account 12. Amount 13. Account 14. Amount 15. Account 16. Amount 17. Account 18. Amount 19. Account 20. Amount 21. Account 22. Amount 23. Account 24. Amount 25. Account 26. Amount 27. Account 28. Amount 29. Account 30. Amount 31. Account 32. Amount 33. Account 34. Amount 35. Account 36. Amount 37. Account 38. Amount 39. Account 40. Amount 41. Account 42. Amount 43. Account 44. Amount 45. Account 46. Amount 47. Account 48. Amount 49. Account 50. Amount 51. Account 52. Amount 53. Account 54. Amount 55. Account 56. Amount 57. Account 58. Amount 59. Account 60. Amount 61. Account 62. Amount 63. Account 64. Amount 65. Account 66. Amount 67. Account 68. Amount 69. Account 70. Amount 71. Account 72. Amount 73. Account 74. Amount 75. Account 76. Amount 77. Account 78. Amount 79. Account 80. Amount 81. Account 82. Amount 83. Account 84. Amount 85. Account 86. Amount 87. Account 88. Amount 89. Account 90. Amount 91. Account 92. Amount 93. Account 94. Amount 95. Account 96. Amount 97. Account 98. Amount 99. Account 100. Amount		1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
1. Item	1	
2. Amount	2	
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85. Account	85	
86. Amount	86	
87. Account	87	
88. Amount		

Local Agreement: The Local Agreement, between the National Association of Broadcasters (NAB) and the National Labor Relations Board (NLRB), was signed in 1992. It was the first time that the NAB and the NLRB had reached an agreement. The agreement was a landmark in the history of the NAB and the NLRB. It was a significant step in the process of resolving the long-standing dispute between the two organizations. The agreement was a result of the NAB's decision to recognize the NLRB as the exclusive bargaining agent for its employees. This was a major victory for the NLRB, as it had been fighting for years to establish its authority over the NAB's employees. The agreement was a landmark in the history of the NAB and the NLRB. It was a significant step in the process of resolving the long-standing dispute between the two organizations. The agreement was a result of the NAB's decision to recognize the NLRB as the exclusive bargaining agent for its employees. This was a major victory for the NLRB, as it had been fighting for years to establish its authority over the NAB's employees.

[illegible]

H&R BLOCK

RAL Itemized Fees Screen

Fees are fully
itemized and
disclosed again

F10 to Continue...																					
RAL SUMMARY SCREEN																					
<p>You've been approved for a RAL from the Bank subject to the Bank's rights stated in your RAL application and confirmation of the information you've supplied the Bank. At the time of your final approval, your loan will be subject to all the terms, conditions and authorizations (including prior debt offset) in your RAL application.</p>																					
Federal Refund Amount.....	3030.00																				
<table border="0"> <tr> <td>Tax Prep Fee.....</td> <td>142.00</td> </tr> <tr> <td>System Administration Fee.....</td> <td>0.00</td> </tr> <tr> <td>State ELF Fee.....</td> <td>0.00</td> </tr> <tr> <td>Other Fee.....</td> <td>0.00</td> </tr> <tr> <td>Less Coupon.....</td> <td>0.00</td> </tr> <tr> <td>Sales Tax.....</td> <td>0.00</td> </tr> <tr> <td>Total H&R Fees.....</td> <td>142.00</td> </tr> <tr> <td>Total Bank Fee.....</td> <td>99.95</td> </tr> <tr> <td>Finance Charge.....</td> <td>75.00</td> </tr> <tr> <td>Refund Account Fee.....</td> <td>24.95</td> </tr> </table>		Tax Prep Fee.....	142.00	System Administration Fee.....	0.00	State ELF Fee.....	0.00	Other Fee.....	0.00	Less Coupon.....	0.00	Sales Tax.....	0.00	Total H&R Fees.....	142.00	Total Bank Fee.....	99.95	Finance Charge.....	75.00	Refund Account Fee.....	24.95
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State ELF Fee.....	0.00																				
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Finance Charge.....	75.00																				
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Total Fees w/H.....	241.95																				
1st Check Amount.....	2788.05																				
2nd Check Amount.....	0.00																				
<p>Do you want to print the RAL summary? (Y/N)..... <input checked="" type="checkbox"/> Y</p>																					

You have reached the end of the screen. F10 to exit or arrow up.

Notice to RAL clients without bank accounts

"Getting Money Quickly: Plan to keep more of your refund next year: A Refund Anticipation Loan (RAL) is fast and easy, but it's also expensive because the lending bank charges you for this service. In addition, other institutions may charge you to cash your RAL check. Next year, why not file electronically and ask for your refund by direct deposit or IRS check? That way, you can avoid RAL fees and still get your money in approximately 8-15 days (direct deposit) to 3 weeks (check). If you don't have a bank account, many banks, savings institutions and credit unions have low-cost solutions available. You'll gain better control of your finances, avoid check-cashing fees, and keep more of your refund in your own pocket."

Tax Professional Development Discussion

Associate's Name:		PeopleSoft ID:		Office Leader:	
District:		Office:		District Manager:	
Number of Tax Seasons:		Certification:		Date:	

Tax Professional Instruction: Please complete the "Client Experience" and "Office Environment" sections below. Please be specific in your responses. This is your opportunity to highlight the work that you do, share the behaviors that you believe demonstrate an understanding of delivering the ideal client experience and offer suggestions for office improvement. You should receive a copy of this form to use as a template for your responses. Responses should be submitted to you by March 13th and the office leader should begin to schedule a year-end discussion by April 9th. If you have any questions regarding the form, please contact your office leader or district manager.

Client Experience

Client Focused (To be completed by tax professional)
(License in client retention by List 2 examples)

Learn that my clients feel Connected - Confident - Championed by: (List 2 examples)

Learn effective use of the Block Advantage: (List 2 examples)

Office Environment

I feel valued as a tax professional

Excellence I work hard to prepare accurate returns and consistently seek to improve my ability to serve clients.	Always	Often	Sometimes	Never
Integrity Associates in my office and I act honestly, ethically and professionally at all times.	Always	Often	Sometimes	Never
Teamwork and Respect In my office, we work to deliver the best of Block to every client and treat every client and associate with courtesy and respect.	Always	Often	Sometimes	Never

I would be better able to deliver the client experience if the following improvements were made.

Associate's Name: _____

Office Leader Instructions: Complete the "Client Experience" and "Office Environment" sections below as they relate to this tax professional. Please be specific in your responses. This document is created to assist in two-way communication between the office leader and the tax professional. You should use the feedback to coach and develop tax professionals and engage in two-way communication. The tax professional should receive a copy of this form no later than January 24th. You should begin your review of the tax professional's performance by February 13th. A second form should be provided to the tax professional by March 1st and you should begin your review of the tax professional's performance by April 3rd. Please be specific in your responses. The tax professional should be held throughout the tax season to ensure that barriers are identified that may impact the client and the tax professional's experience in the tax office. If you have questions regarding this form, please contact your district manager.

Client Experience

Client Focussed (To be completed by office leader)

Client Focused (to be completed by other team)

List 2 examples that you have observed that the tax professional is currently doing to increase client retention

Net 2 example: that you have observed that the tax professional is currently doing to make clients feel Connected - Confident - Championed

Describe how the tax professional is using the Block Advantage effectively (List 2 examples)

Office Environment

	Always	Often	Sometimes	Never
This tax professional exhibits behaviors consistent with an associate who feels valued and it is reflected in their work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This tax professional is committed to <u>excellence</u> in all they do in the office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Integrity</u> This tax professional acts honestly, ethically and professionally at all times.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Treatment and Respect</u> This tax professional works to deliver the best of Block to every client and treat every client and associate with	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(1) Please identify any development opportunities for the tax professional. (2) Address any office improvements recommended and commit to what action will be taken to resolve. (3) Clarify any responses marked as "Never".

_____	_____
Associate Signature	Office Leader Signature
_____	_____
Date	Date

_____	_____
DM or ADM Signature	Office Leader Signature
_____	_____
Date	Date